

ON
TAXES.
OR
PUBLIC REVENUE,
THE
ULTIMATE INCIDENCE OF THEIR PAYMENT,
THEIR
DISBURSEMENT,
AND
THE SEATS OF THEIR
ULTIMATE CONSUMPTION.

IN THREE BOOKS,

By * * * * *

BOOK THE 1ST. CHAPTER THE 1ST.

“Il n’y a rien que la sagesse et la prudence doivent plus régler, que cette portion qu’on ôte, & cette portion qu’on laisse aux sujets.” — *Esprit des loix. Liv. 13. l. 1st.*

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BOOK 1ST. CHAPTER THE 1ST.

Introduction.

WITH regard to the ultimate incidence of taxes, there have been two Schools of political economy; the first, that of M^r Quesnai; the second, that of Mr. Ricardo. According to both these Schools, the exchangeable value of every commodity produced and brought to market in a society, must be composed of one or more of the following three parts, 1st. the wages of the labour, actually employed in producing and bringing it to market: 2nd, the profits of the stock so employed: 3rd, the rent of the land. The incomes of all those Members of Society, whose revenues do not compose any part of the *price, or exchangeable value*, of these commodities, must, according to both Schools, be derived from the incomes of those whose revenues do so compose it. But the first School, or that of Quesnai, held, that what the proprietors of stock in profits, and the labourers in wages, received out of the whole value, or price of the annual produce, could never be more than sufficient, to subsist themselves, and replace the stock expended or invested by them in the commodities; and, consequently, what farmers and husbandmen received out of the produce of the land, could be no more.

No third class could, therefore, possibly be subsisted out of what they received from the price or exchangeable value of commodities ; and all the other classes of society, who neither labour themselves, nor have stock employed, in producing and bringing to market, must consequently depend upon something else. But the only species of industry that added any thing to the exchangeable value of the subject upon which it was employed, over and above what was required to pay these wages and profits, was *agriculture* ; as the price of its produce paid not only these wages and profits, but the rents of the landlords or proprietors of the soil.

This being found the only species of industry that paid, in the price or exchangeable value of its produce, any thing for the subsistence and provision of those, not directly or indirectly employed in it, with their labour or their stock, was by this School dignified with the name *productive* ; while the industry of all other classes was termed indiscriminately *unproductive*, because it did not afford any "*produit net*," like the rent of land, paid by agriculture. The price or exchangeable value of the produce of all other species of industry paid no more than the wages of the labourers, and the profits of their stock ; and these were no more than sufficient to subsist and provide for the people who received it, and to replace the stock.

Every man must depend for his *subsistence* upon the produce of agriculture, which alone furnishes him with the absolute necessities of life ; but the wages of the labourer, and the profits of the farmer,

paid out of the exchangeable value of the gross produce, are no more than sufficient to subsist and provide for them, and to replace the stock expended; and all the other classes of the society must, therefore, depend upon the "*produit net*" or net surplus produce for their subsistence; or upon that portion of the annual returns, which agricultural industry gives to the landlord in rent. Whether they should be paid what they required for their subsistence, immediately by the landlords, or should be paid by them through the medium of the Government in taxes, could make no difference in the ultimate incidence of the burthen of their subsistence upon the rent of the land-proprietors.

Doctor Smith did not, as far as regards this subject, form a second School; he admitted what the Economistes, or disciples of Quesnai, had assumed, that manufacturing and commercial industry added nothing to the exchangeable value of the subject upon which employed, but what they took in wages and profits, to subsist and provide for the labourers and proprietors of stock, and to replace the stock itself; but as this industry does add the value of what is consumed to the exchangeable value of the subject upon which employed, those engaged in it ought not, be contended, to be considered as unproductive. What they produce is at least equal to what they consume in exchangeable value; though it is not, like that produced by farmers and husbandmen, equal to something more; "and as
 " a marriage which affords three children is certainly
 " more productive than one, which affords only two,
 " so the labour of the farmers and country labourers
 " is certainly more productive than that of the Mer-

“chant and Manufacturer. The superior produce of
 “the one class, however, does not render the other
 “barren or unproductive.”* They all reproduce a
 value in exchange equal to the exchangeable value
 of what they consume; and ought, therefore, to be
 considered as productive consumers; while those
 only ought to be considered as unproductive, who
 consume without adding a value in exchange to the
 object upon which employed.

Wealth Doctor Smith considered to be value in exchange; and that labour as productive which added any value in exchange to the subject upon which employed;† and when his terms are taken in the sense in which he defines and uses them, he is neither inconsistent nor contradictory, as Mr. M'Culloch has supposed. The inconsistency and contradiction arises entirely from Mr. M'Culloch's not understanding the terms in the sense Doctor Smith uses them; for no one can suppose him so uncandid as intentionally to alter definitions, in order to adapt terms to opposite conclusions.‡

* Wealth of Nations, vol. 3, p. 22d, B. 4, L. 9.

† Wealth of Nations, vol. 2, p. 1.

‡ See M'Culloch's Principles of Political Economy, p. 403 to 417. The terms *fallacy*, *contradiction*, *inconsistency*, are all improperly applied to Doctor Smith's reasoning; and the passage quoted from Paley, p. 410 shows only that the labour he describes is productive according to Doctor Smith.

But Mr. M'Culloch has, throughout his books, confounded value in exchange and value in use; and could not, therefore, understand Dr. Smith's distinction. Water is valuable in use, so are the services of a statesman, and a soldier; but water is not valuable in exchange. A diamond is valuable in exchange, but not always in use.

Though Doctor Smith extends a good deal the limits to productive labour, by the admission of those who added the amount of their wages and profits to the value in exchange of the subject upon which employed, while the Economistes admitted only such as added something more, still their great conclusion respecting the ultimate incidence of taxes remains unaffected, or rather confirmed by the admissions of Doctor Smith; and we may search the *Wealth of Nations* in vain for any arguments to prove, that all taxes are not finally incident upon the rents of land, or the *produit net of the Economistes*. On the contrary, Doctor Smith is sometimes led expressly to conclude, and at others to make admissions from which the conclusion is inevitable, that they are all so incident. “In all the great kingdoms of Europe, perhaps, the greater part of the revenue of the sovereign may ultimately depend upon the produce of the land; but that dependence is neither so immediate nor so evident.”* Well might he term their doctrine “a very ingenious theory supported by metaphysical arguments;”† for ingenious and metaphysical indeed must have been the theory, that could impose upon a mind of such extraordinary powers.‡

* *Wealth of Nations*, vol. 3. p. 105. B. 5 l. 1.

† Vol. 3. p. 263. B. 5 l. 2.

‡ Doctor Smith thought M. Quesnai, with whom he was well acquainted, “a man of the greatest modesty and simplicity; and his system of political economy with all its imperfections, the nearest approximation to the truth that had yet been published on the principles of this very important science. Doctor Smith intended to dedicate his work to him, but the death of M. Quesnai prevented him.”

See Dugald Stuart’s account of his life and writings. p. 57.

“We are thus led to conclude,” say the Edinburgh Reviewers, “from the admissions of Doctor Smith, that all taxes are finally incident upon the net produce; and are ultimately paid by land rent, either in a diminution of the landlord’s rent, or in an increase of the wages and prices, which out of his actual rent, he distributes among the other classes of the community;” and, say the same Reviewers “no tax can ultimately fall either on the wages of labour or the profits of stock; wherefore those which are levied on consumers, are all ultimately paid from rent.” But the same Reviewers prove, that land is nothing but stock; and the rent of land nothing but the profits of that stock;* and taxes cannot therefore fall ultimately upon rent. They can therefore fall upon nothing, since all are agreed, that Rent, Profits, and Wages, are the only things upon which they can possibly fall. Thus England had got rid of a very inconvenient burthen, which Mr. Ricardo and his disciples have unhappily brought back, though they have very considerably placed it upon a *different set* of shoulders.

By the admissions of some philosophers others were in time enabled to annihilate the great works of the creator: an honest English Bishop,† to annihilate the material world, and believe most sincerely in the truth of his conclusions; and an English philosopher

* See Edinburgh Review, vol. 1. p. 448. vol. 4. p. 358 to 366. vol. 14. p. 54.

† Berkely. Our great poet Byron thought the arguments of Berkely still unrefuted. See Don Juan. Perhaps he had not read Reid, or Dugald Stewart.

and historian,* to annihilate the world of spirits, which the Bishop had left, and believe speculatively in the truth of his deductions. The works and institutions of feeble man are not calculated to resist the force of such syllogistic Euroclydons !

M. Voltaire saw the evil effects of the theory of the Economistes, with regard to the ultimate incidence of taxes, when applied to practice ; but feeling that it would be more easy and more efficacious to ridicule than to refute their arguments, he embodied them in his little romance of “ *L’Homme aux quarante ecus.* ” “ *Les nouveaux ministres disoient encore dans leur preamble, qu’on ne doit taxer que les terres, parceque tout vient de la terre, jusqu’a la pluie ; et que, par consequent, il n’y a que les fruits de la terre qui doivent l’impot. Les Anglais, qui ne rient guere, se sont mis a rire quand ils ont appris que les gens d’esprit avoient propose parmi nous cette administration.* ”

The second School of political economy, or that of Mr. Ricardo, rejected altogether from price or exchangeable value, the part which the first School had made to bear the burthen of supporting all the society, not actually employed directly or indirectly in the cultivation of the land. The exchangeable value of the produce of the land, like the exchangeable value of the produce of manufacturing and commercial industry, is according to this School, composed exclusively of the wages of the labour, and the profits of the stock, actually employed in producing and bringing

* Hume.

to market ;* and as all the society was of necessity to derive their incomes from this exchangeable value, they must all derive them in or from these wages or profits. Those who do not derive their incomes in the wages of labour or the profits of stock, actually employed in producing and bringing to market the enjoyments of society, whose exchangeable value is composed exclusively of these wages and profits, must necessarily derive their incomes *from* one or both of them.

But the wages of the labour employed in producing and bringing to market, can never for any considerable time together, be more than sufficient to provide with the necessaries of life the labourers who receive them. No other income can, therefore, for any considerable time together, be paid from these wages. All the incomes of the other classes of society must therefore be paid from profits, “either in a diminution of their *profits*, or in an increase of the wages and prices, which, out of their actual *profits*, they distribute among the other classes of society.”

The first School threw all the burthen of our public debt, our Army, Navy, Church, Poor-rate, Bench, Bar, Physic, &c. &c. &c. upon the shoulders of a few land-proprietors ; and the second School has not only shifted off this burthen upon the shoulders of a few merchants and manufacturers, but has superadded to it that of supporting the land-proprietors

* See M'Culloch's Principles of Political Economy, 1st Edition, p. 264, 272, 282.

Ricardo, 1st Edition, p. 67, 344, 345, 349, 352.

themselves ; for if their rent forms no part of the exchangeable value of the annual returns from the land, they cannot be paid out of it, in the price. They must, therefore, be paid out of some one of the two component parts of this exchangeable value, which alone this School admits ; and as they cannot, for any considerable time together, be paid out of the wages of the labour, they must be paid out of the profits of the stock, actually employed in producing and bringing commodities to market ; and out of profits they are accordingly made to be paid by this School.

A man of forty crowns a year from stock, actually employed in producing and bringing to market the enjoyments of society, would be pillaged much more by the practical application of the theory of this second School, than the man of forty crowns a year from land actually employed to yield these enjoyments, or the materials of which they are formed, was in France by the practical application of the theory of the first School ; inasmuch as the incomes, to be paid out of profits in England, are much greater in proportion to the profits, than the incomes to be paid out of rent in France, were to the whole rent. It is the stock actually employed in producing and bringing to market in England, that the second School destines to pay all the burthens ; and this is not one-third of the whole stock on which profits or interest are paid. Our national debt is a small item of eight hundred millions for which interest is paid ; and this is employed neither in producing nor in bringing to market ; consequently the proprietors could have no share in the honor of bearing the burthen.

An honest and sensible English farmer and land-proprietor exclaimed, on the practical application of the theory of the first School by the Legislature of the time in France. "It is not difficult to conjecture what turn this policy will take in France, when we see the preposterous and pernicious doctrines of the Economistes triumphant; when the false and absurd doctrine, that all taxes ultimately fall on land, is recognized and admitted; and when we know, that a proposition for a direct land tax of twelve millions sterling was received without abhorrence."* If the doctrines of Mr. Ricardo should ever become as triumphant in England as those of M. Quesnai were in France; if it should be recognized and admitted, that all taxes fall ultimately on the profits of stock actually employed in producing and bringing to market, and a proposition for a direct profit tax of forty millions a year should be as favorably received by our Legislature, an honest English manufacturer or merchant would probably express himself in the same terms of indignation.

The talents and reputation of Mr. Mill and Mr. M'Culloch seem to the theory of Mr. Ricardo, what those of Turgot and Mirabeau were to that of Mr. Quesnai: and the theory of the second School to be as favorably received now in England, as that of the first was ever in France. Mr. Ricardo proves very satisfactorily to himself and his disciples, that all taxes must fall ultimately upon the profits of stock actually employed in producing and bringing to market; and, therefore, proposes, that all taxes shall

* Young's Travels in France, vol. 1. p. 438. Chap. 13.

be imposed directly upon these profits, in order that the miser may be made to pay in his income what he cannot be made to pay in his consumption,* Mr. M'Culloch considers the conclusion irresistible, that all taxes must fall either on these profits, or on the wages of labour actually so employed ;† and as they cannot for any considerable time together, fall upon wages, they must and do all fall upon profits;‡ but he has not ventured so far as to recommend a similar consolidation of the taxes. Mr. Mill, however, inconsistently, has ventured to think that some taxes may ultimately fall upon rent and wages. Though much might be expected from their good sense and prudence, there can be little doubt, that if England were now unhappily placed in the same situation as France was at the time Arthur Young speaks of, many a disciple of this School would be quite mad enough, to propose consolidating all taxes into one, imposed directly upon profits ; and perhaps the

* First Edition, p. 213.

† M'Culloch's Principles of Political Economy, p. 385.

‡ M'Culloch's Principles of Political Economy, p. 386 and 387.

Mr. Ricardo sometimes admits, that taxes may be incident upon rents, and property in the public funds : but when he does so he is inconsistent with his principles, and consequently perplexed and confused.

Mr. M'Culloch, says Doctor Smith, had no clear and accurate notions respecting the nature and causes of rent ; and the laws which govern the rate of profit : and in consequence all that part of his work which treats of the distribution of wealth, and the principles of taxation is vitiated.

M'Culloch, p. 55. It will by and by appear, perhaps, that he had a very clear and accurate notion of rent : and that he knew the laws which govern profits much better than Mr. Ricardo, whose whole theory is founded upon false premises.

See Review of that School.

country gentlemen would “receive such a proposition *without abhorrence.*”

Though it is impossible that both these theories should be proved to be right, it is not only possible but very probable that both may be proved to be wrong ; and some other sturdy theorist may appear to establish a reputation for *originality* in proving, to a certain circle of disciples, that not only all the burthens which the Economistes imposed upon land-proprietors, and the Ricardians have imposed upon stock-proprietors, but together with these the rents of the one and the profits of the other, are ultimately incident upon the wages of the labourers, actually employed in producing and bringing to market. A proposition to simplify our financial system, by a consolidation of all taxes into one directly imposed upon these wages would of course follow ; and as it would no doubt, be received with great complacency by all land and stock-proprietors, who form a majority in our legislative assemblies, the labourers would have infinitely less chance of escape from this School than the landlords of France had from the first, or the stock-proprietors of England, from the second.

They are, however, in no danger from me : I shall endeavour to remove a part of the burthen from the shoulders of those who have hitherto been made to bear it, without any attempt to transfer it to theirs ; and instead of endeavouring to establish a reputation for *originality*, in fixing this burthen upon any particular class, attempt to be useful, in making an equal distribution of it among the whole. My system of

political economy, in the branch to which it is my intention to confine it, will probably be well received, and found useful among plain practical statesmen ; but it will, perhaps, be found a good deal too simple for the Schools. To the latter I beg leave to offer a Review of the two Theories of Quesnai, and Ricardo ; to the former I offer, with deference, the system itself.

REVIEW OF THE FIRST SCHOOL.

THE School of Quesnai, or the Economistes, considered all taxes to be ultimately incident upon the rent of land, or *produit net*, of agricultural industry; because they concluded, that all that portion of society, which is not directly or indirectly employed in the cultivation of the land, and paid in the wages of labour and profits of stock, so employed, must necessarily be paid out of the rent, or net surplus produce remaining after these wages and profits have been paid. All those who have not directly or indirectly an independent claim upon the gross produce of the land, in the wages of their labour, or the profits of their stock, directly or indirectly employed in its cultivation, must depend for their subsistence upon those who command the net produce; or that portion which is over and above what is sufficient to pay these wages and profits. Whether public establishments, and paid through the medium of Government; Church establishments, and paid immediately in tithes; Poor establishments, and paid through the medium of Parish Officers; whether merchants, manufacturers, tradesmen, lawyers, artificers, physi-

ans, &c. &c. &c. no matter, as long as their labour or their stock was not directly or indirectly employed in the cultivation of the land, and their wages and profits were not derived from that employment; their incomes must necessarily, it was said, depend upon land rent; and be paid out of that portion of the price or exchangeable value of land produce.*

The labour and stock employed directly or indirectly in the cultivation of the land, are, it is said, the only species of labour and stock employed in any society. that yield any such *produit net*, or surplus produce, for the subsistence and provision of any third class, whose labour and stock are not directly or indirectly employed in it. All the labour and stock employed in the other branches of the national industry, yield merely their wages and profits, in the price or exchangeable value of the produce brought to market; and they cannot, therefore, pay the wages of any other labour or the profits of any other stock. Such labour and stock must, consequently, be unproductive of any "*produit net*;" while the labour and stock employed directly or indirectly in the cultivation of the land are productive of a new value, or net surplus produce, sufficient to subsist and provide for all the other classes of society. This "*produit net*" is the rent of the land, which is added to the exchangeable value of the produce of agricultural industry, and paid in its price.

* Mr. Hume was one of the few writers who denied the truth of this conclusion, that all taxes were ultimately incident upon land rent.

See Essays, vol. 1, p. 302.

Sir James Stewart was another. B. 5. 7. 5.

But it is sufficiently obvious, that had any other fund or source of the absolute necessities of life, the air, the rivers, or springs of a country been appropriated, and limited in their capacities to supply in the same manner as the land, they would have been found to yield in the price or exchangeable value of their produce the same *produit net* as rent to their proprietors.* They would yield a much greater surplus produce than the appropriated lands of a country; because all would be surplus, that was over and above what those employed in guarding them, required to breathe, and to drink; and yet no one would be disposed to consider those employed in guarding a monopolized source of the necessities of life, a very *productive* or useful class.

All those not employed in guarding such monopolized sources either directly or indirectly, would depend for subsistence upon those who commanded the surplus produce of air and water; and yet those air and water proprietors would not be considered as a very *productive* class of society. All that they could exact from the people for their air and water, over and above what they required to pay the people employed directly or indirectly in guarding the monopoly, would be as much an addition to the price or exchangeable value of air and water, as that which the proprietors of land receive in rents, for the natural and unimproved powers of the soil, is an addition to the price or exchangeable value of the produce of the land.

* This School included under the term "earth," fisheries, and mines.

Land, as a fund or source from which man is supplied with the absolute necessities of life, is peculiar only in its being commonly limited in its powers of supply within the capacities of the other funds, or sources on which the society depends; and in its demanding the application of labour and stock, to make it yield those necessities, when the others commonly do not. Rent is the necessary consequence of appropriation; and appropriation is the necessary consequence of its limited capacity and varying powers, after society has advanced beyond the pastoral state.* As society advances, or as numbers increase at any particular seat of demand, whether a camp, a town, a city, or a nation, recourse becomes necessary for supply to less fertile and more distant parts of this great fund; and those parts more fertile and less distant become more and more valuable to their proprietors as sources of rent.

Mr. M'Culloch has found fault with the Quarterly Review for denominating the earth "a source of wealth;" and says it might as well be called a source of pictures and statues, because it happened to supply

* Mr. M'Culloch says P. 265, that Mr. Malthus and Mr. West showed, "that rent was not as had been commonly supposed, a consequence of land having been divided and become property; but that it was owing to its being of limited extent, and of various degrees of fertility." But when Doctor Smith says that land pays rent according to its degrees of fertility, and its distance from the seat of demand, he says the same thing. The rent is the consequence of appropriation and division; and they are the consequences of limited extent, and degrees of fertility.

the materials of which they are formed.* Most assuredly might the earth be called the source of all the kinds and species, of which wealth is the genus; provided in the term earth be included, as they are commonly, the sea and the mines. What can be affirmed with truth of the genus, may be with truth affirmed of the species, kinds, and individuals; and it may be truly affirmed of all the enjoyments, whose materials we derive from the earth, that the earth is their source. If Mr. M'Culloch affirms, that wealth consists exclusively of exchangeable value; and that that labour only is productive of wealth, which adds to value in exchange, he destroys at once the foundation of his own theory, by which he attempts to extend the limits of productive labour beyond the boundaries assigned by Doctor Smith.† According to his own theory a thing may be productive of utility and wealth, and be termed a source of them, though it add nothing directly to the exchangeable value of produce. The earth may be properly termed the source of wealth, though rent be not paid in the price of the commodities derived from it.

If land, like the atmosphere were unlimited in its powers of supplying the necessities of life, we require

* Principles of Political Economy, p. 62.

† The Quarterly Review has very properly used the term after Doctor Smith.

See Wealth of Nations, vol. I. p. 419 B. 2. l. 1.

He describes the circulating capital of a nation to be withdrawn annually, to supply the enjoyments and the fixed capital; and to replace what is withdrawn for that purpose, to require continual supplies from the three sources "lands, mines, and fisheries."

See also Mr. Mill, p. 285.

† See Principles of Political Economy, p. 403 to 417.

from it, it would, like the atmosphere, remain unappropriated.* If it were limited in its powers of supply, but these powers were precisely the same in all situations, it would become appropriated, but its value, as a source of rent to the proprietors, would differ only with the advantages or disadvantages of its situation with regard to the market for its produce. As it is not only limited in its powers of supply but differs in its degrees of fertility, its value to the proprietors, as a source of rent, differs not only with its distance from the different seats of demand for its produce; but with the degrees of its fertility. Lands at the same distance from the seat of demand, and with the same facilities of conveyance to it, pay a greater rent in proportion to their greater fertility; and lands of the same degree of fertility, pay a greater rent to their proprietors, as they are nearer to the seat of the demand, or have greater facilities of conveyance to it than other lands to which the same seat of demand has recourse for supply.

Whether any rent be paid for the most distant and least fertile lands to which any particular seat of demand, at any particular time, has recourse for supply; and whether, therefore, rent forms any component part of the price, or exchangeable value, of the produce which is brought from them, is of no importance

* Mr. Malthus says, that infinite misery would be the consequence of such unlimited powers. No doubt it would; for as there is, according to his system, a constant tendency in the people, to press against the means of subsistence, if the powers of the earth to supply them, were unlimited like the air, men would press against each other, till some fell into the sea; when there would be a good deal of inconvenience as well among those who stood as those who fell.

whatever to any thing but the Ricardo theory of profits and wages. It is abundantly manifest, that rent when paid by the farmer for the nearer and more fertile lands, is paid out of the price he receives for the produce of these lands; and that it must, therefore, form a component part of the price or exchangeable value of that produce. Whether it is or is not a part of the exchangeable value of the particular produce which is drawn from the very poorest and most distant land, to which any seat of demand has, at any particular time, recourse for supply, or not, it is sufficiently evident, that rent forms a component part of the price paid for the greater part of the produce derived from the land; since price is the only medium through which it is paid.

Supposing that man enjoyed nothing but the simple necessities of life, and that of all the funds or sources from which these necessities are derived, land were the only one appropriated, there could be little doubt that the expense of supporting every man might be fairly considered as ultimately incident upon those who were permitted to appropriate it.* Those who laboured, and those who had stock employed, directly or indirectly, in its cultivation, would have an independent claim upon that portion of the annual returns, which they drew for their subsistence in wages and profits; the proprietors of the land would depend as much upon the application of their labour and stock to the soil for his rent, as they depended upon his permission to cultivate, for their wages and profits. But no other part of the society

* Exceptions even to this will be noticed by and by.

could have such an independent claim upon the annual returns. They must all necessarily depend, for their subsistence, upon the proprietors of the soil, who would command all the annual returns surplus to what subsisted those directly or indirectly employed in its cultivation.

Before industry extends beyond agriculture, those who depend upon the *produit net*, or the surplus produce of the landlords, for their subsistence, have nothing to offer as an equivalent but their prayers and their services ; and in such early stages of society, those who subsist upon the surplus produce are commonly divided into military and church establishments. No one can have an independent claim upon the proprietor of the soil for a portion of their surplus produce, while no one can possibly exist without it. A portion of the society, equal to what this surplus will subsist, is, therefore, dependent upon them ; but there is almost always an authority in the society, even in this early stage, either self-created, or constituted by common consent, that is paramount to that of the proprietors of the soil ; and this authority has the privilege of disposing of a certain portion of this surplus produce for the common benefit of the whole. The Government then becomes the medium of distributing a certain portion of the surplus produce, to its church, military, and other public establishments ; and what it requires for this purpose it levies in taxes.

These taxes must, however, in such a state of society, be of necessity, incident upon the proprietors of the soil, if the soil be all private property ; whether

they be imposed upon the land, or fund itself; upon the instruments in men and stock, employed to cultivate it; upon the produce after it comes from that fund, or in a capitation tax upon those who consume it, or upon the proprietors themselves.

In such an early state of society, before industry has extended beyond the cultivation of the soil, and while the enjoyments of man are confined to the simple necessities of life, as the other funds or sources of subsistence are left a common property, all those who subsist upon the surplus produce of agriculture, that is, all those not employed directly or indirectly in the cultivation of the land, are left dependent upon the proprietors of the land, or upon that authority which is constituted paramount to these. In the kingdom of Peru, when invaded by the Spaniards, the sovereign had become the medium of distributing nearly all the surplus produce of the land; and consequently, the sole land-proprietor. Peru therefore, exhibited a rude picture of Egypt, Persia, India,* and China. So also did Congo, when discovered by the Portuguese. In the kingdom of Mexico, on the contrary, the surplus produce of the land was almost all distributed through the great feudal chiefs or territorial lords; and Mexico exhibited a rude picture of Europe, before the establishment and after the downfall of the Roman empire.

* India it should be observed was like Mexico, a feudal nation, before the Mahommedans invaded it. It was the tendency of their Government, like that of our own, to alter this state; and India is now something like Peru. The feudal system of India will be considered in another chapter; and in the meantime I beg to refer the reader to Mr. Andrew Sterling's excellent paper upon Cuttack in the last number of the Asiatic Researches.

All the annual returns from the land which is over and above what is sufficient, to pay the wages of the labour, and the profits of the stock directly or indirectly employed in its cultivation, is surplus produce ; and all those who are not or have not stock so employed, are dependent upon and subsisted by the Government and the land-proprietors. In such early stages of society the greater part of the stock employed in producing and distributing the fruits of the earth, commonly belongs to the Government or to the proprietors of the soil ; and, consequently, the whole of the annual produce, or nearly the whole, that is over and above what is required to pay the wages of labour, is left at their disposal. The great works of Egypt for irrigating the lands, and facilitating the distribution of the produce, were formed by the revenues of the sovereign, like the roads and granaries of Peru ; and the labour saved by them in distribution, or added by the increased powers of production given to the soil, augmented the mass left at their disposal since they conveyed to no individual an independent claim upon the annual returns.

While the sovereign in such early stages of society, commonly forms out of the portion of the surplus produce which he distributes, all those works of great and general utility, which augment the produce of the land by irrigation, and facilitate its distribution, in canals, roads, bridges, &c. &c. the proprietors of the land form out of that portion which they distribute, all those of local advantage ; and commonly supply the moveable stock required in cultivation. When Pharaoh had purchased all the lands of Egypt, his people had nothing left to sell but their ploughs,

and their bullocks; and when he had purchased these he had nothing to pay out of all the gross produce of the land, but the wages of the cultivator.*

Under such circumstances his settlement was extremely liberal; and those with whom it was made, paying only one-fifth of the produce, would soon have had a considerable portion of surplus at their disposal, and become proprietors, rich in proportion to the extent and fertility of their estates.† But it must have been very unequal, as it took the same portion from all lands, without regard to the fertility; and if measured in money, the same money-rent from all land without regard to their distance from the seat of demand for their produce. The lands of Egypt were, however, not perhaps very different in their productive powers, when all equally supplied with the fertilizing waters of the Nile, and the disadvantages of distance from the seats of demand were diminished by the great facilities of distribution formed by the sovereign.‡

* See Genesis, Chap. 47th.

† This settlement was intended to be permanent: and it probably lasted as long as most settlements of that kind do. How often have the lands of every European nation even changed hands in a century, or two.

‡ See Young's Travels in France, Vol. I. p. 323, 356.

Young rates the seed-wheat in France at 153 pounds or 2 and $\frac{1}{2}$ bushels the acre, nearly the same as in England. The returns in France at an average of six times the seed; or wheat and rye 18 bushels the acre.

In England the returns are rated at an average of 8, or 24 bushels the acre. Taking in the advantages of better spring corn, he considers, that the returns per acre in England are to those of France as 28 bushels, to 18 per acre.

In 1822 estimates furnished to Parliament gave to the best lands under tillage in England from 36 to 40 bushels: and to the worst from 8 to 10 per acre.

In such early states of society that portion of the annual produce, which is required for the support of public establishments, is sometimes drawn and distributed through the medium of Government; and sometimes it is paid immediately by the land-proprietors to those establishments, which are furnished with an assignment upon the lands for that purpose. But whether paid immediately by the land-proprietors, or through the medium of Government, is of little or no importance to those proprietors. It is a certain portion of the produce of the land taken from their disposal; and all those subsisted upon it are a certain portion of the society removed from their command, and placed at the disposal of the sovereign. All taxes, tithes, poor-rates, &c. &c. in such a society might, therefore, be considered as a burthen upon the land-proprietors: because they deprive them of the disposal of as much produce as they take, and of the command of as many people as that produce subsists; since if no taxes, tithes, poor-rates, &c. &c. were taken, they would dispose of the whole of the produce, and command the whole of the people.

But if the whole of the people, or the Government constituted by the whole of the people, were to appropriate any other fund equally essential to their

Sonnini rated the produce of the lands of Egypt at from 25 to 30 returns of the seed, on an average of a whole district.

In India I rate the seed from the best of all grounds, personal inspection and measurement, at 144 pounds of wheat per acre; and the returns at from 4 to 30, or even 40, where the lands are irrigated, as they were in Egypt. The returns from the very same land will descend from 30 to 4, as the soil becomes exhausted by tillage.

subsistence, they would thereby reduce landlords to a state of mutual dependence. The society would depend upon the proprietors of such a fund for that portion of their subsistence which they required from it; either directly, or indirectly, through the medium of the Government; just in the same manner as they depend directly or indirectly upon land-proprietors, for that portion of their subsistence which they require from the soil. The land is more commonly appropriated than any other fund or source of the necessities of life, because it is more adapted to appropriation; and it pays a rent to individuals, because individuals appropriate it.

Among nations in the pastoral state, or those which have made but little advances in the agricultural, all the funds of the absolute necessities of life are generally considered a common or public property; and in such states men are commonly found as jealous of their right, to draw from them what their wants or their convenience requires, as in a more advanced state they are of their private and exclusive rights in them. Thus among the Arabs, before their conquests extended over the more advanced nations of the Roman and Persian empires, all these funds were declared, as well by their new legislator, as by their ancient laws, to be a common and public property; the pasture lands, and salt-pits, no less than the sea, the air, the rivers, and the lakes;* and it was considered criminal in a prince or chief of a tribe, to have an exclusive pasture meadow, even in the vicinity of his dwelling. It was urged as a reproach against

* See *Miscat-ul-Musabih*, B. 6. l. 7. B. 12, l. 15.

Othman, the third sovereign in succession to Mahomud, that he had given to a favorite the spoils due to the soldiers, and appropriated to himself pasture lands, which ought according to the laws, all to be left a common and public property.*

Among them, as among the ancient Germans, the investment of property and labour in fixed stock, such as a dwelling house or wall-enclosure, gave an exclusive right of property in small spaces of land, either by common consent, or by recognized authority;† but all the rest was left a common property. But as these people, the Arabs and the Germans, extended their conquests over countries more advanced, whose population was more dense, and whose industry was more extended, the funds whose boundaries were determinable, and whose powers of supply were limited, became a private property among them as they had been among the vanquished people. The little enclosures of the Arabs, like the Salbacs of the Germans, swelled into large estates of allodial property. Lands, salt-pits, mines, and springs, all became private property; and the codes of the

و اعطيت مروان خيس العباد ظلماً لهم رجيت الحبي *

See Abul Feda's Angals.

• † This little enclosure was an inviolable property among the Arabs, as among the Germans. They were the salic lands of the Germans. "Vicos locant, non in nostrum morem connexis and cohaerentibus aedificiis; suam quisque domum spatio circumdat."

Tacitus de Mor. Germ.

See Esprit des loix, B. 18, l. 22.

These small enclosures were denominated by the Germans in their native wilds Salbacs, from Salu, a house.

See Puther's German Empire.—Blackstone's Commentaries.

barbarians, like those of the Romans, left only, as “*res communes*,” the air, the flowing waters, the sea, and the shore as far as “the winter waves might reach.”*

Springs, and streams, of pure and wholesome water have been appropriated while land has been left a common property.† “It may, says Hume, “happen in some countries at some periods, that “there be established a property in water, none in “land; if the latter be in greater abundance than “can be used by the inhabitants, and the former “be found with difficulty and in very small quantities.”‡ In England and other countries, where men may draw to an unlimited extent for pure water, no man derives much value from or attributes much to a spring; but in other parts of the world the proprietor of a spring of wholesome water has been found to have the most valuable species of property in the country.§ In such places water, always valuable in use, may become extremely valuable in exchange; and the price paid for it, like that paid in other countries for land produce, will, over and above the expenses incurred in bringing it to market,

* *Elementa Juris civilis*, Lib. 2. Tit. 1st.

† Perhaps a spring of good water discovered in the Island of Bermuda would be more valuable to a proprietor than a large estate in land.

‡ *Essays*, vol. 2d. p. 217.

§ In Piedmont and the Milanese he who discovers a new spring is at liberty to conduct the waters to what lands he pleases, paying a fixed compensation for cutting through the properties of others; and in these and other states of Italy, the sovereign is the proprietor of all the rivers.

Young's *Travels in France and Italy*, vol. 2. p. 177.

in the wages of labour and the profits of stock, yield a rent to the proprietor.

The two springs which furnished the ancient city of Palmyra with the only pure and wholesome water to be found in that arid waste, in which it was situated,* were no doubt, if appropriated, the most valuable property that a citizen possessed or could possess. Indeed a very ingenious traveller, while he justly attributes the wealth of that state to the situation of the city, as an entrepot for the Indian trade, considers that this situation was rendered available only by these two springs. “Les deux sources d’eau douce que son sol possède, furent surtout un attrait puissant d’habitation dans ce desert aride et sec par tout ailleurs.†

The value of such a spring is proverbial in some parts of the east;‡ and we find a female relative of the Khalif Mawcut, borrowing a thousand dinars from that sovereign to purchase one. By the code of Zoroaster, a criminal might expiate his crime by

* Wood says these little streams once so valuable are now entirely neglected. The water appeared to him to be warm and sulphurous; but the people still considered it agreeable and salubrious. By an inscription upon an altar they learnt, that the care of them was entrusted to officers elected for the purpose. They had been conducted through the city by works under ground, which were repaired by Justinian for the Roman Garrison, but are now neglected.

† Volneys Travels in Syria, chap. 30.

‡ حَبْرُ الْمَالِ عَيْنُ حَبْرَارَةٍ فِي أَرْضِ حَوَارَةِ

A fine property. “Fons murmurans in terra molli.” Abul Feda's Annals, vol. I, p. 380. .

giving to an honest man streams of flowing water of a 'determinate' size, and depth;* and the rivers and streams of modern Italy, available for purposes of irrigation, are appropriated by the sovereign or by individuals; as were 'those of ancient Egypt and Persia. We are told by Polybius, that the Persians gave to those who conducted a stream of water to lands that had not before been irrigated, the free inheritance of the soil so watered by them, for five generations; and that the people were thus stimulated to bring water from the distant mountains by subterranean channels, totally unknown in his day, even to those who still enjoyed the advantages of the waters.† By these springs and streams the powers of the earth were made available; and a dreary arid waste converted into a fruitful and populous country.

Had these springs been, as no doubt many of them were, conducted by people who had no right of property in the soil they irrigated, they would necessarily have given to their proprietors an independent claim of no small magnitude upon the annual returns from the land, whose powers of fertility they developed and improved, or alone made available in tillage; and the incomes derived by the proprietors would have been an independent claim upon the pro-

* M. de Pastoret, p. 83.

† See General History, Book 10.

Montesquieu quotes this passage from Polybius, as importing, that the Persian sovereigns gave the benefit or the monopoly of the springs, instead of the inheritance of the land.

Esprit des loix, B. 3. l. 7.

duce of the land.* Had they disposed of these streams after conducting them to the lands, to the sovereign, for an annuity, to be paid by a tax upon the lands; they could with as little justice be considered as a burthen upon the land-proprietors; and if Government had taxed the annuities it gave to the proprietors of the springs, that tax could not have been incident upon the rent of the land-proprietors. The claim of the proprietors of springs upon the lands they enriched with their waters, either immediately or through the medium of the Government, would have been independent of the proprietors; and a tax upon it would have been a tax upon an independent income.

Other men might, even in this early stage of society, in which I have supposed industry to be confined to the cultivation of the land, and the distribution of its produce; and the enjoyments of man to the fruits of the earth in their rude state, acquire an independent claim upon the annual returns from the land, by the formation of great and useful works, to facilitate the distribution. Some might form navigable canals, others build bridges, others form roads. The claims acquired by the formation of these works, would be enforced through the medium of a duty, imposed upon the produce distributed by their means; and as this claim would be independent, a tax imposed upon the income derived from the duty, would be a tax incident upon an independent income.

* "The cultivators of the land in Persia who have more water than they require, dispose of it to great advantage." Scott Waring's Tour to Sheeraz.

Works for irrigation increase the quantity of the necessities of life, derived from the land ; and as there is always a tendency in population to augment in proportion as these necessities increase, they increase the number of people. But more are not required, in proportion to this increase, to apply their powers as instruments in the cultivation of the soil ; as the water conveyed in such works, act as a powerful instrument in improving and developing the natural powers of soils already in tillage ; and in rendering available the natural powers of such as were before uncultivable. More men may be employed in cultivation after such useful works are formed ; but the increase of produce and of the people subsisted upon it is in much greater proportion. More men are therefore left at the disposal of some one ; and they can be at the disposal of only three. The sovereign, the proprietor of the lands, or those who form these works. The last claims their services, and the subsistence they require ; and his claim must be recognized as just and independent. He enforces his claim upon the annual returns through the medium of a duty upon the water, as it passes to the lands, or upon the lands as they are irrigated by it ; and a tax imposed upon his income, would be a tax upon an independent income.*

* " Water gives many other things besides humidity ; it manures, consolidates, and deepens the staple or surface mould, and guards against cold ; effects as obvious in a northern as a southern climate. But under a hot sun, and in a dry climate, sandy or stony soils yield, comparatively speaking, nothing ; but when watered they become clothed with the richest verdure, and yield the finest crops."

Works for facilitating the distribution of produce do not directly or necessarily augment the annual returns from the soil; and consequently do not necessarily augment the population. But of the actual population they render the application of less numbers necessary, as instruments for the distribution of the actual produce. The numbers relieved from this duty or employment, are at the service of some one or other of those who command the surplus produce; who in such a state of society are the sovereign, the land-proprietors, the proprietors of works for irrigation, and those by whom the works for distribution are formed. The last of these has, unquestionably, a just and independent claim upon their services; and the subsistence required for their support. It is by him that their industry, as an instrument, has been set free from the employment of distribution; and to the labour set free by him he has the most just and independent claim. This claim he enforces by a duty; and a tax imposed upon the income derived from this duty, would be a tax upon an independent income, and not of necessity incident upon land-proprietors.

It will be useful here to remark, though the subject will be treated more at large in another part of the work, that the labourers set free from the employment of distribution, and those added to the mass of the people by works for irrigation, without being required in tillage, have no independent claim upon what they require for subsistence from the land. They require for subsistence the simple necessities of life from those who command the surplus produce; and in return they offer their services. But they have nothing else to offer; and if those who

command the surplus produce will not accept and employ them, they must beg, rob, or starve. Surplus produce for their subsistence may be abundant, but if those who command it will not give it without an equivalent different from that which alone they can offer, the use of their physical and mental powers, they may starve.*

All the claims I have supposed to be acquired by the formation of works for irrigation and distribution in this state of society, are manifestly independent; and cannot be considered as a burthen upon the proprietors of the soil; nor could a tax imposed upon the incomes arising from them be considered as so incident. This tax would be the medium of taking from those by whom the works were formed, a certain number of the people, whose services and subsistence these works gave them, and placing them at the disposal of the sovereign, for public purposes.

All such claims might be transferred to the Government for equivalent annuities, to be paid out of taxes, imposed in the same manner as the private duties had been; but such taxes could not justly be considered as a burthen incident upon the rents of the landlord.

* In India this reasoning will be found of vast practical importance, because such works are for the most part formed either by the land-proprietors themselves, or by people who found no claim upon them. If those on whom they are left to depend will not employ them honestly, they must subsist by dishonest means.

This subject will be treated in another place.

See Malthus on Political Economy, p. 511-477.

But if in this early stage of society, land-proprietors should themselves form and maintain all these works, to increase produce and facilitate its distribution ; and the earth should remain the only fund or source of the necessities of life appropriated, no independent claims upon them 'could be acquired by any other class ; and the whole society must remain dependent upon them for an indispensable part of their subsistence.* This dependence, however, would be merely the consequence of appropriation, which would be the consequence of the limited extent and powers of the fund ; and the same consequence would follow the appropriation of any other fund or source of the necessities of life ; air, water, &c. The German Prince, who monopolized his atmosphere, by imposing a tax on breathing in it, reduced his people to as complete a dependence upon him, as the Peruvian, Indian, or Egyptian Prince, who monopolized his land.

It would be great folly to suppose, that an atmosphere was more productive of the necessities we require from it, because it happened to be appropriated, and thereby to yield or produce a value in exchange ; and it would be equally so, to suppose, that a Government which monopolized the sea, and added the profits of the monopoly to the exchangeable value of the salt and fish it produced, rendered that sea more productive of these necessities than any other sea. It would be no less folly to suppose, that the labour employed in guarding the monopo-

* I shall have occasion to refer to this conclusion in a subsequent chapter : and it will be found of great practical importance in our Indian administration.

lized atmosphere and sea, or the labour and the stock employed in making salt and taking fish in such a sea, was more productive of necessities and enjoyments than any other. The stock and the labour employed in taking fish and manufacturing salt in the unappropriated sea, would be just as productive of fish and salt as those employed in the appropriated sea ; but the latter would produce a value in exchange which the former would not ; and this value would be paid in the price.

The labour and the stock employed in a monopolized sea, produces what the labour and stock in an unappropriated sea does not, a value in exchange, added to the produce ; which value must be paid in the price ; but this labour and stock do not thereby produce more of the necessities and enjoyments, or fish and salt, derived from the fund ; nor do they add any thing to their utility, or value in use. They exchange for more, but the fish and salt do not furnish more subsistence or enjoyment to those who consume them, than the fish and salt of any other sea.

The powers of nature could not be altered by the mere act of appropriation : the atmosphere left free would contain as much vital air as the atmosphere monopolized by the imposition of a tax. The sea left free would yield just as much fish and salt as the sea appropriated. Appropriation, monopolies, taxes, and duties, all add to value in exchange, and to price ; but they are neither of them considered to be very efficient instruments in adding to the quantity of our necessities and enjoyments, or to their utility or value in use ! They neither of them augment

the powers and efficiency of the funds and instruments to which they are applied, nor do they add to the quantity or utility of the enjoyments or necessities upon which they are imposed. Still they produce a value in exchange, which is added to the price, over and above what is required, to pay the wages of the labour and the profits of stock actually employed in producing and bringing these necessities and enjoyments to market. They are therefore productive in this sense; and in this sense the tax gatherer is as productive as the monopolist; and the monopolist as the landlord.

It was in this sense that the *economistes* made agricultural labour the only productive labour; but in this they were not correct, because tax gatherers, monopolists, and patentees, were equally productive. It was in this sense that Doctor Smith, admitted agricultural labour to be more productive than that of manufactures and commerce. They were more productive of value in exchange and value in exchange was wealth: they were, therefore, more productive of wealth. The value in exchange of any thing is what that thing will purchase or command; and that labour was productive which could add any thing of this value to the object upon which employed. The labour employed in producing and bringing to market from a fund that paid rent, taxes, tithes, poor-rates, &c. other things equal, would give more of this value to the object upon which employed, than the labour employed in producing and bringing to market from a fund that paid neither; because they would enter into the price or exchangeable value of the produce of the one, and not into that of the other. In this sense the labour

and stock employed in producing and bringing to any particular seat of demand, the produce of nearer and more fertile lands, will be more productive than that employed in producing and bringing to the same seat of demand, the produce of more distant and less fertile land; because, while the price is the same, a greater portion of that price goes to rent, or *produit net*. The same may be said of appropriated mines, fisheries, &c. &c. as the rent of all appropriated funds is regulated by the same principles.

That the taxes and profits of monopoly enter into the price or exchangeable value of our manufactured enjoyments, and foreign luxuries, can hardly be disputed, except by a few closet reasoners, to establish a favorite conclusion; and that the labour and stock employed in preparing and bringing them to market must, therefore, reproduce a value in exchange equal to those taxes and profits, over and above the wages of that labour and the profits of that stock, must follow as a necessary consequence. “ Labourers
 “ and labouring cattle employed in agriculture, not
 “ only occasion, like the workmen in manufactures,
 “ the reproduction of a *value* equal to their own consumption, or to the capital which employs them,
 “ together with its owner’s profits, but of a much
 “ greater *value*. Over and above the capital of the
 “ former and all its profits they regularly occasion
 “ the reproduction of the rent of the landlord. This
 “ rent may be considered as the *produce* of those
 “ powers of nature which the landlords lend to the
 “ farmers.”*

* *Wealth of Nations*, B. 2, l. 5. vol. 3, p. 53.

In the same sense the taxes upon manufactures may be considered as the produce of those powers of nature which Governments lend to the manufacturer; and the profits upon the monopolies of salt, as the produce of those powers of nature in the sea which Governments lend to the salt-makers. The powers of the funds and instruments to produce these things, are not increased by the taxes and monopolies; nor are their qualities in use and enjoyment improved; but their exchangeable value is augmented, and their price increased. The errors arise from changing the sense in which the terms are used without changing the terms themselves; and affirming of the term in one sense, what can be with truth affirmed of it only in another. This is the great source of error and perplexity in this science; and its practical importance has thereby been almost entirely destroyed of late years.*

* The term capital, in the 2nd chapter, will be shown to be more productive of error than the term value.

The term value is used by Doctor Smith, in four senses.

1st.—Value in use

2d.—Value in exchange

3d.—Value in esteem.

4th.—Real value.

It is only when he uses the term without the adjective, that he can be misunderstood. He says water is extremely valuable in use, but has no value in exchange. A Diamond has much value in exchange, but very little in use.

Wealth of Nations, vol. 1, p. 42.

An old and faithful Horse or Dog may be very valuable in esteem, but have neither value in use nor exchange.

Mr. M'Culloch confounds value in use and value in exchange throughout his book; and I believe intends that they shall be understood to mean the same thing. This is to be regretted, as it leads to confusion, embarrassment, and error; for by confounding them in his own writings he does not always perceive their distinction in those of others.

Mr. Malthus has fallen into the same error of supposing, that agricultural labour is more productive of what we require from it for our use and enjoyment than any other species of labour, because it affords a rent to the landlord ; and that its capacity to pay this rent must be chiefly or solely attributed to some peculiar powers in the soil, the gifts of nature to man. These peculiar powers in the soil, which enable it to maintain more persons than are employed to work it, are, he supposes the source of rent ; and other things do not pay rent, because they have not these peculiar powers. But the other funds or sources of our subsistence and enjoyments have the same powers : the springs and rivers supply with water more men than are employed upon them : the sea and salt-pits supply more men with that essential article than are employed to manufacture it. Do one nation's atmosphere and sea supply more vital air and salt than those of another, because they happen to be appropriated or monopolized ? Are not the sea and the atmosphere of a prince, who is graciously pleased to leave them free to his subjects, as replete with the powers of supplying us with air to breath, and salt to use, as those of another, who is graciously pleased to monopolize or appropriate them ? Mr. Malthus is one of the most amiable men and candid writers of his age ; and I should be very sorry to misunderstand him.*

This subject will be treated more fully in the Review of the Second School.

4th Real value of course means the quantity of labour invested in a thing.

* See Principles of Political Economy, p. 140, 142, 149, 151, 227

Whenever any fund or source from which we derive the necessities of life, or its enjoyments, is appropriated, whether the earth, the mines, the springs, salt-pits, sea, or air, they must pay a rent, or the property is unprofitable to the proprietor ; and this rent, or whatever other denomination we may choose to give it, must be paid in the price of the necessities or enjoyments we derive from it. Among nations on their first emerging from their pastoral and wandering state, land becomes appropriated and made to pay a rent in some form or another. "Men" as Doctor Johnson has observed, "if they are not social "are at least gregarious ;" and when they cease to wander over the unappropriated waste, their encampments, their villages, their towns, and their cities, become seats of demand for the produce of lands beyond their immediate vicinity.

The lands in the immediate vicinity become more valuable to their proprietors as sources of rent, in proportion to their fertility ; and those more remote become more valuable as still more distant are had recourse to for supply. Land of the same degree of fertility will give, as surplus produce or rent to the proprietor, the same portion of the annual returns from the labour and stock applied to their cultivation ; but the price of the returns from all being the same in the same seat of the demand, and this price increasing as more and more distant lands are had recourse to for supply, and greater costs are incurred in bringing that supply to market, more and more rents are paid to the proprietors of the nearer lands. As recourse is had to more distant lands, those less fertile but nearer to the seat of the demand are

brought into tillage ; and poor lands in the vicinity pay as much rent to their proprietors, as the richest lands at a distance.

Every seat of demand, when it becomes fixed, must from its earliest establishment have recourse to more distant and less fertile lands, as its population and demand increases ; and as it does so, the price of produce increases ; and with this increase the rents of the proprietors of the nearer and more fertile lands augment. It has been said “that in New Holland, “ where there is an ample supply of fertile and un- “ appropriated lands, it is certain that until the best “ lands are all cultivated rent will never be heard “ of.”* But what is here assumed as certain will, I believe, be found contrary to the fact : and that rents are now paid for very poor lands near the different establishments or seats of demand, while much very rich land at a distance from them remains waste and unappropriated.

On the first establishment of such seats of demand, other things equal, the most fertile parts are commonly selected ; and the most fertile portions of these parts are first appropriated, either by common consent or by recognized authority ; but as these seats augment in population recourse becomes necessary to more distant and less fertile. The costs of supply from the poorest and most distant, to which recourse is at any time had for supply, must be paid in the price of the produce brought to these seats ;

* M'Culloch's Principles of Political Economy, p 282.

The author, I believe, intends to be understood to mean by the *best* the most fertile lands. It is in this sense I understood him.

and the produce of those less distant and more fertile selling at the same rate, they pay a greater and a greater rent. Seeing that land thus almost universally paid a rent in some shape or other, people were led to believe, that it could arise only from some powers peculiar to the soil; that these powers alone could enable it to yield to the stock and labour applied to its cultivation, this new value in exchange, *the source of the wealth of every nation.*

“It is,” says Doctor Smith, “the produce of the land which draws the fish from the waters; and it is the produce of the surface of the earth which extracts its minerals from its bowels.” But the surface of the earth is scarcely less dependent upon the waters and the mines, than the waters and the mines are upon the surface of the earth. Without the waters of the Nile what would the lands of Egypt have yielded to the Pharaohs, and the Ptolemies; and without the rains from the clouds and the metals from the mines, what would the soil of England now yield to us; and without the atmosphere and the source of light, what would the surface of the earth yield to the labours of man in any part of the world; or in what part of the world could he labour?

All the funds or sources of subsistence are alike essential to man; and he could no more live without air, water, and salt, than without corn, herbs, and cattle. Limits placed to the powers of supplying what we require from any one of them, must necessarily limit the increase of those who depend upon it for their supply. Confine a man in a space that will contain respirable air enough for only ten days, and

give him a year's supply of land produce, he will only live ten days. Give him water enough to support him only ten days, and furnish him with air and corn enough for ten months, he will live only ten days.

Land is not more necessary to man because it happens to be limited in its powers of fertility, and extent of surface : they are all equally necessary to our well being ; but land being commonly limited in its powers of supply within the capacities of the other funds, and being more adapted to appropriation, it is more commonly appropriated.

Let us suppose that the powers of springs to supply water were limited in the same manner : that the ancient city of Palmyra, for instance, had in its centre one spring, which in an early stage of its rise, supplied water sufficient for the people ; that at a distance of ten miles from the city another was to be found, capable of supplying precisely the same quantity of water of the same quality ; and that at every stage of ten miles, between that city and the Euphrates, a similar spring was available. When by the increase of population, the central spring should have been found incapable of supplying the demand for water, recourse would of course have been had to that situated at ten miles distance ; and the price of water in the city being at least equal to the costs of conveying this water ten miles, the proprietor of the central spring would receive a rent equal to the cost of bringing as much water as his spring would supply, ten miles. If this spring at ten miles distance from the city had before paid a rent to its proprietor, being available there for the purpose of watering cat-

tle, irrigating lands, &c. &c. this rent he would of course have when converted to the purpose of supplying water to the people of the city, or he would not allow it to be so converted. This rent would be added to the costs of the supply, and paid in the price by those who used or enjoyed the water; and the spring in the city would pay a rent equal to this, over and above the sum equal to the cost of conveyance.

As the population increased recourse would be had to the springs situated at the more distant stages; and the rent of those nearer would increase in proportion to the increased costs of conveyance to the great seat of demand; till they approached the bank of the Euphrates, whose powers of supply being unlimited, would render a recourse to a more distant fund or source of supply unnecessary. The costs of supplying this water from the most distant springs, to which recourse became from time to time necessary, must have been paid in the price; and as these costs increased the price of water must have increased. As in all other things, the increasing demand would cause the increased supply through the medium of an increased price; and the increase of price would have preceded the recourse to more distant springs, and increased costs of supply. The demand regulates the distance to which recourse shall be had for supply; and effects the supply through the medium of an increased price. But no increase of costs in the supply of water from the nearer springs would take place; and their rents would increase with the increase of price. Rent might or might not form a component part of the price of the water from the most distant springs, as they were or were not avail-

able and profitable in other purposes : but it would necessarily form a part of that brought to the seat of the demand from the nearer. The productive powers of these springs would not, however, be increased. The same quantity of water, of the same precise quality, and therefore value in use, would be yielded by them ; but its value in exchange and price would be increased, and the rent of the proprietors would increase in proportion.

Let us further suppose, that there had been in the vicinity of the city another spring, which, by digging to a considerable depth, might have been made to supply as much water as the central spring supplied without any digging at all. If the costs of digging and maintaining the well were less than those of bringing the water ten miles, when recourse became necessary to a second spring, and the necessity became indicated by the rise of price, it would be had to this deeper one near the city, before it would be had to the open one at the distance of ten miles. As long as recourse is necessary to more deep and distant springs, the price will necessarily increase, so as to pay the costs of bringing the supplies to the seat of the demand ; and as this price increases those less deep and nearer become more and more valuable, and pay a higher rent to their proprietors. Rent might or might not be paid for the deepest and most distant, to which that seat had recourse at any particular time ; and might or might not form a component part of the price of the water derived from them ; but it would necessarily be paid for the nearer and less deep, and form part of the price paid for the waters derived from *them*.

Thus all the principles which regulate the value of lands to their proprietors, as a fund for supplying man with the necessities of life and the materials of his more refined enjoyments, may be applied to any other fund, on which he is equally dependent; provided its powers be limited in the same manner. Land is not the only fund that requires the application of stock, and labour to make it yield those things which our wants demand from it. Salt is drawn from the pits, the lakes and the sea only by the application of labour and stock: metals are drawn from the mines, and the fish from the waters by the same application.

In the early stages of society, before industry has extended beyond the cultivation of the land, seats of great demand are not formed by those who have the fruits of their own labours, in arts and manufactures, to offer as equivalents in exchange for those of agriculture. They are formed by those who, as proprietors of the soil, command its surplus produce in rents; or, as the officers of an authority paramount to that of the proprietors, command the whole or a part of that surplus produce, in taxes; and of those who depend upon them for what they require of this surplus produce for subsistence. It depends upon those who command the surplus produce, and the services, or mental and physical powers of those subsisted upon it, whether they are usefully, uselessly, or mischievously employed. They command the necessities of life, and the services of those who depend upon them for subsistence; and if they do not employ them usefully the fault is theirs. Man is an instrument whose mental and physical powers may, in the rudest state

of society, be made to contribute to the security, comfort, and happiness of his fellow-creatures; and these powers are always at the disposal of those on whom he depends for subsistence. Subsistence, in this early stage, is the only species of stock necessary to his efficient employment; and whether this be given to him as *capital*, with a view to a return of profit, to the individual who gives it; or as revenue, with the view of benefitting society by his labours upon some great and useful work, he is equally employed.*

In Peru there was but one great city; not, as Doctor Robertson supposes, because industry had not extended to manufactures and commerce, but because the whole of the surplus produce of the earth was distributed through the medium of the sovereign, and all the great public establishments of the Empire, to whom that surplus was distributed, were concentrated at the capital or seat of his residence. In Mexico there were thirty cities, not because industry

* It has been said that the employment of the people depends upon the accumulation of capital. But if by capital is meant, as Doctor Smith means by it, the produce of industry employed with a view to individual profit, the conclusion is not just.

Both Doctor Smith and Mr. McCulloch say that their employment depends upon floating capital only: and of floating capital, upon that part only, which consists of food, tools, and cloathing. This reduces the terms of their propositions to a tangible shape: but the sense of the term is often changed in every page and every proposition, without any change in the word *capital*. Mr. McCulloch makes employment depend upon food and cloathing, whether they be employed with a view to profit or not. Then pray how can he say, that three millions a year are sent, in food and cloathing, from Ireland, to pay absentees, and still deny, that any part of the produce, on which the employment of labour depends, is sent out of Ireland?

Of this I shall treat more by and bye.

had been more extended, but because there were thirty great territorial proprietors, or mediums through which the surplus produce of the earth was distributed, to establishments maintained at the seats of their respective residences. In the empire of Congo there were many cities, though society was in a still ruder state than in Mexico or Peru; not because industry had extended, or because there were many great territorial proprietors; but because the emperor delegated his authority to viceroys of provinces, who became, as in China, the mediums of distributing the greater portion of the surplus produce to great public establishments, maintained at their residences.

But those subsisted upon the surplus produce of the land, were more usefully or more innocently employed in Peru, which had only one great city; than in Mexico or Congo, where there were many.* Their subsistence was not given to them as *capital*, with a view to individual profit; but as *revenue*, expended with a view to benefit society in general by their labours; as in Egypt, where all the great and useful works, in roads, canals, bridges, granaries, &c. &c. were formed by subsistence distributed as revenue. Peru had two great roads, so formed, from Cuzko to Quito; each fifteen hundred miles long, and both furnished with bridges, granaries, and places of accommodation throughout their whole extent. These works, though not formed with a view

* Peru had only one great city. "In all the dominions of the Incas only one place, Cuzko, had the appearance or was entitled to the name of a city." Hist. vol. 3. p. 353.

Mexico had many Hist. vol. 3. p. 315 316.

to profit, were really profitable to the sovereign ; for by facilitating the distribution of the produce of the land, they set a vast number free from that employment, and left them at the disposal of the sovereign for other purposes, because he alone commanded the surplus produce, on which they depended for subsistence. They were still more useful to the people in general. They contributed to their security, convenience, and enjoyment ; and the stores preserved throughout their whole extent, made years of plenty supply the deficiency of years of scarcity.

In Mexico and Congo* no such great and useful works were formed ; and though there were more towns and cities, the mental and physical powers of those who depended upon the surplus produce of the lands, were less advantageously or less innocently employed.† There establishments consisted chiefly and almost exclusively of soldiers ; those of Peru were chiefly composed of the religious order, which is said to have received nearly one-third of the annual produce of the land.‡ No doubt the greater part of this ecclesiastical establishment might have been employed more advantageously for the society ; but where a great portion of those supported upon the surplus produce of agriculture, must be left idle, they are more innocently idle as priests than as any thing else ; and in these early stages of society large ecclesiastical

* See an account of Congo in the Latin compilation of M. Gotardus Arthus Dautiscanus

I know of no translation of this work ; but it deserves translation. Published 1608, caput. 6, p. 124.

† There was scarcely a passable road in all the empire of Mexico.

‡ Robertson's *America*, vol. 3, p. 338, 339.

establishments seem essentially necessary to internal order and security.

As the powers of the land, to supply the necessities which man requires from it, are commonly limited within the capacities of the other funds to supply what man requires from them, the population of such great seats of demand, before industry has extended beyond agriculture, and when all their lands are cultivated, can extend only with an increase of territory, or with improvements in the system of tillage. The surplus produce of the domestic lands is not, in such states of society, purchased from farmers and cultivators with equivalents; it is exacted as a right by the Governments, in taxes; or claimed as a property by the landlords, in rent. But these rights and claims cannot extend to other states and communities, that are independent of them; and as they can, in this state of industry, have no equivalents to offer to such states and communities, in exchange for the surplus produce of their agricultural industry, their population can never extend beyond the numbers whom their own lands can provide with the necessities of life.

In such societies those only can be free and independent, who have a property in the land, or in some instrument necessary to its cultivation; all the other members must depend, either upon the proprietors of the land, or upon the Government; and in the free states of ancient Greece, as the number of free citizens was continually diminishing by the concentration of landed property, they were always proposing to extend the number by new sub-divisions of the

land.* It is common to suppose that in these early stages of society, when the sovereign is the great proprietor of all the lands, because he is the great medium of distributing all their surplus produce, all his subjects are slaves ; but it is generally found, that more *free men* are employed directly and indirectly in the cultivation of the lands of such a nation, than are employed in cultivating those of nations in which the land is distributed in property among his subjects.

In Mexico, for instance, there were thirty great feudal or territorial lords, who had uncontroled jurisdiction within their own dominions, over each a hundred thousand subjects, like the great feudal lords of the middle ages in Europe. They distributed the greater portion of their lands to inferior nobles in property, on condition of military service. The inferior nobles, having but a small portion of land, the cultivation of which they could immediately superintend and inspect, reduced all those by whom the lands were tilled to complete slavery and bondage, in order to take of what they produced the greatest possible portion. The lands distributed among them were tilled almost entirely by slaves ; as those distributed in allodial property among the Saxons in England, were tilled by the ancient Britons, reduced to slavery. But the great feudal lords could not themselves superintend and immediately inspect the cultivation of their reserved lands. Instead, therefore, of urging those who cultivated them to work by the fear of the chain and the lash, they were obliged to invite them to it, by leaving to them a greater

* Polybius, B. 5th, l. 9th.

portion of the annual return. Those who cultivated the lands of the great lord were, therefore, more free than those who cultivated the lands of the inferior nobles.

But the sovereign was still less capable than the great feudal or territorial lords, to superintend and inspect the cultivation of his domains; and found it still more necessary, to invite men to till them by leaving, as the reward of their industry, a greater portion of the annual returns. All the farmers and cultivators of the imperial domains were free; and where all the lands of the empire belonged to the sovereign, all the farmers and cultivators were free men. In the estates of the inferior nobles of Mexico, we are told every free man held land in property;* but this was because every man who was not a noble with landed property, was reduced to the state of slavery. The Saxons, when they seized upon and divided the lands of England, reduced all the former occupants, to the number of more than a million, to slaves, transferable with the lands.†

In Peru no man held land in property, and yet every man who cultivated the land was free, and held his lands on certain tenures, stipulating the portion of the produce he should pay to the sovereign, and that which he should retain for his own

* Robertson, vol. 3. B. 4.

† Wilfred received from a Saxon convert an estate with the persons and property of its inhabitants to the amount of eighty-seven families. Gibbon, vol. 4, p. 171.

use.* Those only were considered in a state of servitude, who depended upon the surplus produce, distributed by the sovereign, without holding an office, or having any thing to offer but their services; and these were employed in distributing that produce, and forming and repairing the public works.† When I say that in Peru no man had a property in land, I do not of course mean to use the term as a *mathematical universal*, to which there is no exception; as some lands were no doubt given to priests and favorites; and some might have become property by prescription, as in those nations, Egypt, Persia, and India, of which Peru was a rude picture. I do not pretend to give a picture of society, I merely use a picture already given, as an illustration.

In this early state of society no great town or city could grow up independent of public establishments, under a very minute sub-division of landed property; as all the surplus produce would be consumed by the proprietors upon the small portions of land that yielded it.‡ We are told that at one time England had above fifty thousand towns; and these could not of course, as justly observed by the Quarterly Review, have been any thing more than aggregate masses of husbandmen.§ Every great town or city that may have grown up independent of public establishments, under a different system, must, in

* They had no right whatever to alienate the lands given to them to till, Hist. B. 4th.

† Robertson's Hist. B. 4, vol. 3, p. 296.

‡ The states of ancient Greece had their cities formed of public establishments, tho' the members were paid in rents and not taxes.

§ I forget the number and expression, and recollect only the sense.

such a state of society, or in any state, like that of India, which approximates to it, be destroyed by a minute sub-division of landed property.

We may judge from the sacred writings, that landed property had been minutely sub-divided in Egypt before the administration of Joseph; and that there were neither towns nor cities but what were composed by the officers of Government, the Priests, and their immediate dependents. But by the purchase of all the cultivated land, made by the sovereign during the famine, he was enabled to form towns and cities, "throughout the land of Egypt;" and this must have been a very important change in the constitution of the Egyptian society, though I do not remember ever to have seen it noticed by any writer.* The agrarian cities then formed were, possibly, the seats of all those magnificent cities so much vaunted in after ages; for while industry was so much confined as it was, the mental and physical powers of those who formed the edifices by which they were adorned, must have been at the command of those who drew the surplus produce of the land in rents, as proprietors, or in taxes, as the officers of Government.

When the lands were minutely divided among the Israelites, all the cities which had grown up under

* "And Joseph bought all the land of Egypt for Pharaoh; for the Egyptians sold every man his field, because the famine prevailed over them; so the land became Pharaoh's."

"And as for the people, he removed them to cities from one end of the borders of Egypt even to the other end thereof." Genesis, Chap. 47.

a different system disappeared ; as those which had grown up under the Roman dominion, disappeared in Europe under their successors. In Israel cities again grew up as the kings became the mediums of distributing a considerable portion of the produce of the land, to fixed establishments ; and the employment given by David and Solomon to those who depended upon this surplus produce for subsistence, in great works of ornament and utility, is one of the greatest evidences we have of their wisdom. It will be my object to show, in a subsequent chapter, that similar works might be formed in every part of our Indian empire with infinite advantage to the people, and without any sacrifice whatever of revenue to Government ; because industry is and must long remain confined almost exclusively to agriculture.

When society has advanced, or industry has extended to manufactures and commerce, a portion of those who had depended for their subsistence upon the proprietors of the soil, or upon the Government and its officers, acquire an independent claim upon what they require of the annual returns of agricultural industry, in the produce of their own mental and physical exertions, offered as an equivalent. All those who subsist upon the surplus produce of agriculture are no longer obliged to follow and attend upon those who command it, as the proprietors of the soil, or as the servants of the sovereign. They offer their equivalents to those from whom they require the fruits of the earth ; and a bond of mutual dependence is formed between them. The seats of demand for land produce no longer depend upon public military, ecclesiastical, and other

establishments; nor is the population any longer necessarily confined to the numbers that the lands of any particular community can be made to maintain; as these equivalents can be made to purchase the necessities of life from distant and independent nations.

Seats of demand for land produce in towns and cities grow up not only independent of the lands they possess, for subsistence, but often without having any lands of their own at all employed as funds of supply.* The city of Palmyra was founded by Solomon in a situation which his wisdom discovered to be advantageous, as an entrepot for the Indian trade; and it grew up to opulence and splendour in the midst of an arid and uncultivable waste. The great commercial cities of Tyre and Sidon had scarcely lands enough to furnish pleasure grounds for their wealthy citizens. Such cities, depending not upon their own territorial funds, but entirely upon the employment of their *instruments of distribution*, like Venice and Holland, in later ages, might rise and flourish upon a barren rock, or in the midst of a dreary and steril waste, entirely independent of their own lands, or of any lands immediately around

* Mr. Ricardo and his School wish to establish, that profits depend entirely upon the powers of the last lands taken into tillage; and can be reduced only by the necessity of recourse to poorer soils. This is making a cause out of an effect. The index in the Nile does not cause the rise of that river; it merely indicates it to the people.

They assume that all instruments in commerce and manufactures can always find employment. How did Palmyra, Tyre, Rhodes, Venice, &c. lose employment for theirs. Justinian by introducing silk destroyed some cities, supported entirely by the instruments which had brought it from India.

them for a supply of necessities, however agreeable and valuable they might find them as gardens and pleasure-grounds. Hiram, who reigned over the commercial city of Tyre, despised the twenty agrarian cities, presented to him by his friend and ally, Solomon, as exhibiting nothing but a land of chains and slaves.*

It is manifest, that in one case, where industry is confined to agriculture, and land the only fund of the necessities of life appropriated, all taxes must of necessity be ultimately incident upon those by whom it is appropriated, however they may be levied or imposed ; but it is equally manifest, that in this case they must of necessity be so incident, merely because no other fund of the necessities of life happens to be appropriated by the state, or by individuals. By the appropriation they have constituted themselves, or have been constituted, the mediums of distributing the surplus produce of the fund appropriated ; but had any other fund been appropriated, the persons appropriating would have been the mediums of distributing its surplus produce, in the same

* This passage has been rendered differently ; but "land of Cabool" means land of Fetters ; doubtless from the land being cultivated by men in fetters ; as they were in Europe, and have been all over the world in similar states of society. 'Cabool means fetters, both in

Hebrew כבול and in Arabic, كَبُول See Psalm 149. "To bind their kings with chains and their nobles with *fetters* of iron," and Psalm 105, "whose feet they hurt with fetters." In these passages the same word is used in a different measure I admit ; but it is used in the same measure to express the same thing in Arabic ; and as it is used nowhere else in the Bible, it is fair to conclude that it is used in this sense here.

manner. The proprietors of the Nile might have had as valuable a property as the proprietors of the lands, whose powers of fertility were unavailable without its waters ; and the farmers of many hundred estates in every nation of the world would at this moment double their rents for a stream of water equal to the irrigation of their lands.

It is manifest, that in the other case, where industry has extended to manufactures and commerce, all taxes are not of necessity incident upon the proprietors of the lands ; but that heavy taxes may be levied, and large public establishments maintained, without any rents at all being received from domestic lands, as funds of supply. Though history, as is justly remarked by Mr. Hume, tells us of no state or city that rose to wealth or power in ancient days by means of manufactures, history is replete with instances of their so rising by means of commerce. The funds or sources of wealth* are the lands, the mines, the fisheries, &c. &c. of a nation ; the instruments are those of production, preparation, and distribution. Cities and states have risen to power and opulence without any domestic funds in lands, mines, or fisheries ; and consequently, without any instruments of production applied to them. They have also so risen, without any instruments of production in manufactures ; and, consequently, their wealth and power have depended entirely upon the employment of those instruments by which the commodities of

* By wealth I must be distinctly understood not to mean exchangeable value alone. I may call it after Mr. Malthus, "every material thing necessary useful or agreeable to man ;" but of this by and bye.

distant nations have been distributed.* Of such states and cities there are two classes; the commerce of one being *maritime*, that of the other, *land*.

India sent a constant supply of luxuries to the west, which enriched, by the employment of commercial instruments, every region through which it passed, from the days of Solomon to those of Vasco de Gama. As this stream changed its course, states and empires rose and went to decay. In the track to which it became diverted, the most sterile and solitary deserts became the seats of busy multitudes, enriched by arts and adorned with magnificence; while in that from which it was turned, the most splendid cities became solitary ruins; and countries rich in every natural gift, became waste, and depopulate. But India itself, the fruitful source of all these mighty revolutions, the seat of all the funds from which these luxuries were drawn, and of all the instruments by which they were produced and prepared, remained unconscious and unchanged.

Rich perhaps in all the materials of what Mr. Burke, would have called, "philosophical happiness;" but poor in all those, which he would have denominated, "vulgar happiness." No domestic industry, no foreign equivalents diffused substantial comforts among the great mass of her people; no arts enriched, no taste adorned her cities. The specie she received from the west remained an useless and unprofitable deposit in the palaces of princes, and the

† I do not of course here consider those which have risen by conquest.

temples of her gods,* till the invasion of the Ma-hommuduns.

The instruments by which these luxuries of the East were distributed to and among the nations of the west, peopled and enriched every place where they became seated and established ; whether these instruments were maritime or otherwise ; and the wealth and power of such places went to decay, and disappeared, as these instruments lost their employment, or changed their seats. Some of these seats of the instruments of distribution had, as I have stated, scarcely domestic lands enough to furnish gardens and pleasure grounds for their opulent citizens ; and very few of them sufficient to provide subsistence for their people. But rising to wealth and power by means of commerce, they drew from other nations ten times the quantity of agricultural produce, that their own lands could ever have been made to yield ; and might have supported by taxes ten times the amount of public establishments, that all the *produit net*, or surplus produce of their own agricultural labour would maintain. They might have paid to these public establishments ten times the amount of money, that all their domestic lands could be made to yield in rent, at whatever costs their foreign supplies were

* Pliny estimates the money sent annually to India by Rome, at fifty million of Sesterces. Lib. 6, l. 23, and that sent by the whole Empire at one hundred million. Lib. 12, l. 18.

The Venetians sent annually in the beginning of the 15th century, five hundred thousand Ducats.

Macpherson's introduction to Hist. of European Commerce with India.

imported, and to whatever price the domestic produce had been raised.

In a state like Sparta, where industry was confined exclusively to agriculture, the population could never exceed the numbers that its own lands could be made to supply. The lands were tilled by slaves, who out of the annual returns, were never permitted to enjoy more than what was absolutely necessary for their subsistence; and the surplus produce was distributed among the idle proprietors, to whom every species of industry was disgraceful. Their business was to eat, play, and fight; and when their numbers pressed against the means of subsistence derived from their slaves and their fields, they were either sent out in colonies, to seize and appropriate other lands, and reduce other people to slavery, or were put to death. They were not, as in commercial and manufacturing states, employed in domestic industry, to prepare equivalents, by which the produce of the lands of distant and independent nations, might have been purchased, to subsist increasing numbers. The taxes of such a state, when no other fund was appropriated, must have been of necessity ultimately incident upon the proprietors of the land.

In a country that has no tributary provinces; no absentees, spending incomes derived from other countries; no people returning home with property acquired in other countries; no contributions from other countries to her domestic establishments and institutions; no industry but agriculture; and no other fund or source of the necessities of life than the soil appropriated, all taxes must necessarily be ultimately

incident upon the proprietors of that soil, and be paid either directly or indirectly out of their rents. But where is such a country to be found, particularly among the nations of modern Europe?

Athens was, perhaps, less a commercial than a manufacturing nation. The lands of that state, as we learn from the economics of Xenophon, were all well cultivated by slaves, under the superintendency of free citizens; but Athens, as we learn from Demosthenes,* imported a great part of the corn, oil, and wine she required for her people from distant and independent nations. The citizen of Athens, who had a hundred slaves, employed as instruments in a domestic manufacture, to *prepare* equivalents with which to purchase the corn, oil, and wine of distant nations, had as valuable a part of the surplus produce of the national industry, as he who had a hundred slaves employed as instruments upon his farm in producing corn, oil, and wine. What the one imported in exchange for his manufactured commodities, would be as much a portion of the annual reproduction, as what the other obtained upon his lands; but any tax imposed upon the imported corn, oil, and wine, instead of falling upon the land-proprietor, would necessarily increase his rents by increasing the price of these articles.

A seat of demand for agricultural produce, to be purchased with equivalents, whether that seat be a town, a city, or a nation, may be established upon

* He told the people that Philip of Macedon knew well, that they of all people used the greatest quantity of imported grain. See Coroua.

the revenues or incomes derived from the employment of domestic funds and instruments ; or upon a revenue derived from the employment of foreign funds and instruments. While the amount of the revenue is the same, the effects upon the land, and its value to the proprietors are in all ordinary circumstances the same. As this revenue increases, and this seat augments, recourse becomes necessary for supply to more distant and less fertile lands. The increasing demand indicates itself in an increased price ; and an increased price invites the cultivation of less fertile and more distant lands.

The powers of nature which operate in agriculture, being, as it were, concentrated in appropriated mediums, and limited, every augmentation in a seat of demand for their produce renders necessary a recourse to less fertile and more distant funds, from which supplies are brought at greater costs ; and unless the price rises so as to pay the costs, the supplies will not be brought. The price rises because the supplies are indispensably necessary ; and as it rises, the proprietors of the more fertile and nearer lands, or concentrating mediums, draw a greater and a greater rent.* The demands at any particular seat must regulate the distance of the land, and the quality of the soil, to which recourse shall at any

* "The rent of land not only varies with its fertility but with its situation, whatever be its fertility."

Wealth of Nations, B. I. C. 7. and 11, vol. 1, p. 82 and 228.

"Land in the neighbourhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce to market from the distant land." Ibid vol. 1, p. 228. and Malthus on the nature and progress of Rent.

particular time be had for supply ; and the demand must effect the supply required, through the medium of a rise of price, equal to cover all the costs of bringing it from these lands.

Those who demand effectually must have wherewithal to pay these costs ; whether their revenues or incomes be derived from the employment of domestic funds and instruments, or from the employment of those of distant nations ; whether in taxes, tribute, or private incomes ; and, as Doctor Smith has justly observed, “the price of each particular kind of produce must evidently be previous to the improvement and cultivation of the land which is destined for raising it.”* When the produce from the poorest and most distant lands, at any time in tillage, becomes insufficient to supply the wants of the people at any seat of demand, the price rises, and indicates, that recourse is necessary to lands still more distant and less fertile ; and labour and stock, invited by the rise, are applied to them. The rise of price is an index by which every seat of demand, however great, or however small, makes its wants known to those by whom it is to be supplied ; and is as well understood by the landlords and farmers of other nations, as that of the Nile was by those of Egypt.

The application of labour and stock to more distant and less fertile lands is an effect, and not a cause, as it has by some been assumed to be.† Labour and stock are invited to their cultivation, because it

* Wealth of Nations, B. I, C. 11, vol. 1, p. 358.

† Ricardo, Mill, and M'Culloch.

promises greater wages and profits than can be found in other employments; and when other employments offer greater wages and profits, labour and stock are withdrawn from them.. If lands of equal fertility, that is yielding precisely equal returns with precisely the same application of labour and stock, be employed in the supply, the value of one portion will be greater than that of another to the proprietor, just in the same proportion as it is nearer, and the expense of conveyance is less. The produce of both sells for the same price at the same seat of demand; but out of this price the costs of conveyance must be defrayed; and these are greater from the more distant. Out of the price of produce more rent will, therefore, be paid to the proprietor of the nearer. If lands of different degrees of fertility be employed, that is yielding the same returns, we may suppose, but with the application of unequal quantities of labour and stock, the value of one portion to the proprietor will be greater than that of another, in proportion as a less quantity of labour and stock is employed, provided that both be equally well situated with regard to the seat of demand. Out of the same price for the same quantity of produce, more wages and profits, and consequently less rent, will be paid on the poorer lands.

If the poorest lands employed in the supply in the vicinity of the seat of demand, be equal in fertility to the poorest employed in the supply of the same seat at a great distance, it is obvious, that the former must pay a considerable rent to their proprietors; a rent equal to the expence of conveying the produce

to that seat of demand from the poorest of the most distant lands. The degree of fertility or the distance to which recourse is at any time had, is an effect and not a cause; and can have no operation in reducing the profits of stock employed. While this stock is freely convertible to other purposes, it will command the profits, that can be made by its employment in the other purposes to which it is convertible. If the demand increases, and indicates itself by a rise of prices, it is invited from these other purposes to the land; and if the demand diminishes, and indicates itself by a fall of prices, the landlords must diminish their rents, or the stock will be diverted to other employments. Supposing the stock freely convertible, its profits are not influenced by recourse to poorer and more distant soils, as a cause.* If there be any error in my reasoning it will be very easily detected. My object is to be clearly understood, not to support a particular theory; and I have avoided using any term either vague or ambiguous, and assuming, as a premise, any conclusion whose truth is not generally admitted.

If those lands which, as demand increases at any particular seat, are required to be diverted to the supply, had before paid any rent to their proprietors—if, for instance, they had paid a small rent as pasture lands, but are now required to supply tillage produce; the price of tillage produce must necessarily rise, so as to enable the farmer to pay this rent, over and above all the other expenses of producing

* The Ricardo School assumes that the rate of profits are entirely governed by these as a cause.

and bringing to market, before such lands will be converted to the supply. Doctor Smith supposed, that the worst and most distant lands to which recourse became necessary from time to time for tillage produce, would be worth something to their proprietors for other purposes; and that till the price of produce rose so as to pay this something in rent, over and above all the other costs, it would not be converted to the supply.*

This conclusion, the truth of which practical men readily admitted, has been disputed or rather denied by Mr. Ricardo, as its admission would destroy the foundation of all that is original in his theory. He has endeavoured to prove, that the poorest and most distant lands to which recourse is at any time had for supply, pay no rent; and that the price of the produce derived from them must, therefore, be composed entirely of the wages of labour and the profits of stock employed in producing and bringing it to market. This is merely applying to the soil what Doctor Smith himself had said with regard to coal mines,† and whether it can or cannot be truly affirmed of the produce of land, as it may possibly be affirmed of the produce of mines, that in the price of that which comes from the most distant and least fertile no rent is paid, may be left to the schools, and can be considered of no importance by practical men.

Some states and communities may be so circumstanced as to draw agricultural produce from foreign countries while they have much fertile land at home

* *Wealth of Nations*, vol. 1, p. 227 to 247 and 358, B. 1, C. 11, and vol. 3. p. 369, B. 5. I. 2.

† *Wealth of Nations*, vol. 1. p. 258, B. 1, C. 11.

waste and uncultivated. Others, on the contrary, may draw no agricultural produce from foreign countries, while the very worst of their lands at home may not only be cultivated but pay a high rent to their proprietors. The price at which foreign supplies can be purchased at the seats of demand in any particular state, must, ordinarily, depend upon the costs of production in the countries to which recourse is had for supply; the costs of conveyance from these countries to these seats; and the taxes or duties paid upon the supplies in the different stages of their progress. All these costs united may amount to no more than the wages of labour, and the profits of stock, required to produce the same kind of supplies upon lands of the first quality at home, in a manufacturing and commercial country. This labour highly skilled and stock highly profitable, employed in manufactures and commerce, might purchase more agricultural produce, encumbered with the costs of conveyance and taxes, from foreign countries, than they could produce if applied to soils of great natural powers at home; and while they can do this, labour and stock will not be invited to the cultivation of such lands. But when the costs of foreign supplies become augmented by the necessity of recourse to countries still more distant, or by taxes, the price of produce increasing will invite labour and stock to their tillage. The price of produce might go on increasing till labour and stock had been invited to the cultivation of the most distant and very worst soils of such a state.

Arthur Young very justly concluded, that stock had been diverted from the cultivation of the lands

in France, by the injudicious measures of the Government, which had given too great encouragement to its employment in commercial and colonial industry, and too much discouragement to its employment in agriculture.* England has invited the application of labour and stock to the cultivation of poor soils, distant from the seats of demand for their produce; but their cultivation is the effect of prices increased by means of import duties, and the consequent application of labour and stock to their tillage. The profits of stock in other employments are not less because stock is applied to poorer and more distant lands;† but labour and stock are invited from other employments to poorer and more distant lands, because a rise of prices offers greater wages and profits.

No doubt a great deal of the poorer and more distant lands of England owe their cultivation and improvement to the taxes imposed upon the foreign supply; and if these duties were removed, no doubt labour and stock would be driven from their cultivation, to seek employment in other branches of

* See Travels in France, vol. 1, p. 437 to 443.

Arthur Young is, however, much out, when he supposes the East Indies take any capital from English land. An honest indignation carried him too far.

† This is the hypothesis of Mr. Ricardo's School. Mr. Mill (with Mr. Ricardo, and Mr. M'Culloch) considers, the profits of stock in agriculture a cause regulating all other profits, p. 71, 72, 73, 82, and 63. Principles, &c.

But an effect, and regulated by the ordinary rate in other employments, p. 200, 202, 212, 277, and 230. Principles, &c. and in p. 78 and 79. Capital is invited to land from other employment by *increased demand for, and price of produce.* and *increase of profits*; yet *profits are thereby reduced.* How are these things to be reconciled?

industry. The great seats of demand upon the sea coast, and banks of navigable rivers, would no longer have recourse for supply to those lands, poor and remote, from which they are now furnished; and as these were thrown out of tillage, the better and nearer lands would pay less and less rent to their proprietors. But it is very erroneous to suppose, as seems too commonly the case with closet reasoners, that the last lands taken into tillage must always be found in the course of time the least fertile; and that, "those taken into cultivation three hundred years ago,"* must necessarily be now more fertile than those taken into tillage only twenty. The last lands taken into tillage may be much richer in natural powers than those which have been long in cultivation; but from the difficulties and costs of removing impediments, and rendering those powers available, a very high price may be requisite to invite the application of labour to them in the first instance. In all probability much of the land brought into cultivation by these import duties, is now the richest in the country.

Among maritime nations the price of agricultural produce does not increase with the increasing demand in the same degree, nor to the same extent as in inland countries, provided the costs of supply be not augmented by import duties. The difficulties and costs of supply must always be less from the

* Ricardo, p. 286.

He supposes the natural powers of the soil "original, inexhaustible, indestructible." p. 49.

They are neither one nor the other, so Mr. Mill supposes these powers of the soil, p. 31, and 71, second edition.

greater facilities of conveyance by sea ; and from those of communication with countries in which the wages of labour are less, and the natural powers of the soil to which that labour is applied, are greater, and less exhausted by long tillage. Under a system of free imports, and with seats of demand of the same number and magnitude, labour and stock will be more tardily invited to the cultivation of poor and distant lands in a maritime than in an inland country ; and the lands will, consequently, be less valuable as a source of rent to their proprietors.

Other things equal, lands will pay a rent to the proprietor, in proportion as the costs of conveyance to the seat of demand for produce is less from them than from others, to which that seat has recourse for supply ; and the distance to which recourse is at any time had being the same, the costs of conveyance are in proportion to the difficulties of transport. Any great seat of demand in an inland country must, therefore, pay a higher price for land produce, brought from the same distance, than a similar seat with a convenient harbour upon a sea coast ; and one situated in an inland country without facilities of transport in navigable rivers, canals, bridges, and good roads, must, for the same reason, pay a higher price for land produce brought from the same distance, than a similar seat situated in a country that has them.

To give as an instance, the Island of Mauritius, which imports land produce from New Holland, the Cape of Good Hope, Madagascar and India. At present 1827, she pays freight from Calcutta at the

rate of forty shillings a ton, upon the rice received for the use of the slaves ; and about the same is paid for conveying a ton of land produce to the port from places ten or twelve miles distant, notwithstanding the vast improvements which the Government has made of late years in the facilities of conveyance. The one is brought over above forty degrees of latitude and above thirty degrees of longitude, at the same cost that the other is conveyed ten or twelve miles. The price, therefore, never rises to invite labour and stock (dear as they are in the Mauritius from the cultivation of sugar) to the production of the necessaries of life upon these distant lands, for the supply of the port.*

When the increase of demand at any particular seat arises from the increase of revenue, derived from the employment of the instruments of that seat, in manufactures, commerce, &c. the wages of labour no doubt increase more with the increase of demand, than where it arises from an increase of revenue, derived from the employment of the funds and instruments of distant places. They rose probably more in the vicinity of Tyre, Rhodes, Carthage, and Athens, than in that of Rome, Byzantium, and Alexandria. They rise probably in the present day more in the vicinity of Liverpool, Manchester, Glasgow, &c. than in Madrid, Rome, Constantinople, &c. ; and where they do so rise more, the rents of land must increase less.

It has, too, been sometimes found, that where the

* The rent of land is in consequence very little ; indeed a good deal of the very richest soil, ten miles distant from the town, is waste, and unsaleable.

increase of people at any particular seat, arises from an increase of revenue, derived from distant countries, in private incomes or public tribute, the price of land produce does not increase with the increasing demand in the same proportion as in other seats. Agricultural produce has, in such places, sometimes been found the only available medium in which these private incomes and public tribute could be remitted. Rather than not draw any revenue at all from the distant countries on which their claims are secured, the Government or the individuals draw it in the raw produce of the land at a considerable loss; and the price is rendered thereby less than it would be at such seats, were they left to be supplied by the free competition of industry.*

This was the case at Rome, a seat to which private incomes and public tribute were remitted from all quarters of the empire in land-produce, and the lands in the vicinity of that great city with all her facilities of conveyance from distant provinces, paid probably as little rent as funds of supply, as those in the vicinity of her great granaries of Egypt, Africa, and Sicily.† Tacitus lamented, that Italy, which had formerly sent supplies of agricultural produce to distant provinces, should, while yet the fertility of her soil was unimpaired, be reduced to a dependence upon Africa, and Egypt; and that the lives of the Roman people should be committed to the winds and waves. It had, perhaps, been more just to complain,

* See *Wealth of Nations*, vol. I. p. 233. B. I. l. 11.

† Tacitus, in describing the visit of Germanicus to Egypt, says it had been thought, that the man who should possess himself of that province might starve Rome.

that by the plunder of other nations, the Romans should have been maintained in an idle dependence upon a few great Senators.

In India every little village is a seat of demand for agricultural produce, as will be described in another part of this work; but the great seats of demand, which are alone to be considered in this place, are scarcely any of them founded upon revenues derived from the employments of instruments, in manufactures, commerce, &c. &c. They are almost all founded upon revenue derived in taxes and tribute from distant places; and composed of the public establishments of Government, and their followers in different capacities. The increase of demand at such seats arises from an increase of these establishments; and a diminution from a decrease; and as all their luxuries and the greater part of their conveniences are supplied from the industry of distant places or countries, they have little influence upon the wages of labour in their vicinity, but as they raise the price of land produce with their increase, and reduce it with their decrease.

As these seats of demand are augmented by increased public establishments, and recourse becomes necessary to more distant lands, the price of land produce increases; and the rents of land increase the more that the wages of labour have been increased less than in seats of demand differently constituted. In other countries, good roads, canals, bridges, and other facilities of distribution, follow an increase of population and demand at any particular seat; whether that increase arises from one species of revenue

or the other; and by reducing the costs and difficulties of conveyance, the price of produce is prevented from rising so much as it otherwise would do with the necessity of recourse to more distant lands. But in India this is rarely the case. 'As demand increases, and recourse becomes necessary to lands more and more distant, no improvements are made in the means of transport; and the price increasing with the increasing demand, the value of the nearer lands augments, whether that value be taken in rents by the proprietors, or in taxes by the Government.*

Nor is the increase of demand at such seats in India ever prevented from causing a corresponding increase of price, by land produce being made the channel of remitting to them private incomes or public tribute; as had been the case in Rome, and is, perhaps, still the case in some parts of the world. The public revenue by which these establishments are supported is all levied from the distant places which contribute it, and paid to those who receive it, in money; and with this money is purchased what free competition brings to the market. The price is prevented from rising neither by a remittance of revenue in land produce, nor generally by the formation and improvement of great works, to facilitate

* Since the administration of Lord Hastings works to facilitate distribution have been formed upon a scale worthy the dignity of our Government, as will be noticed in a subsequent chapter. One of the great minds in which this improvement in our Indian administration originated, has, unhappily, been taken away in Mr. John Adam; and it cannot but be a subject of regret to the sensible part of the mercantile community, that they lent themselves to the party of Mr. Buckingham, to embitter the last days of a man they know to have contributed so greatly to the benefit of our Eastern dominions.

distribution; and while the price of produce increases with every augmentation of establishments and demand, the rents of the land from which these seats are supplied must increase.

This reasoning will probably be thought to account satisfactorily for a great portion of those revolutions in the value of landed property in India, which have been so often seen, so often lamented, but never satisfactorily explained in any publication with which I am acquainted. Seats of demand for agricultural produce are very suddenly formed and augmented by our public establishments; which are, in the present state of society and industry, almost the only centres of demand for the surplus produce of the land in India. As these seats of demand, however, are seldom formed or augmented by an increase to their collective numbers, their increase in one place must imply their diminution in another. In as much as they increase the demand for raw produce, raise the price, and augment the value of land in the place to which they are removed; they must diminish the demand for, and the price of land produce in the place from which they are taken; and, consequently, reduce the value of land.

Thus very great and very sudden revolutions are produced in the value of landed-property, and in the condition of the people in the different parts of our eastern dominions. The seats of demand in India may be compared to the sand-banks of her great rivers; they are in a state of continual revolution and change. Those parts in which seats of demand

for land produce are formed or augmented; rapidly improve, while those from which they are removed, or in which they are reduced, go as rapidly to decay; not unfrequently to the surprise of the Government, which had calculated on results totally different; and supposed that it was removing an oppressive burthen when it was taking away a source of prosperity. The same effects had always been following the same causes under different dominions in India, because all great seats of demand had always depended entirely upon great public establishments, political, civil, military, or ecclesiastical; and they have for more than half a century been following the same causes under our dominion, without the connexion between them having been distinctly traced and clearly explained in any publication with which I am acquainted.* There can be no doubt, that such an explanation would have been of great practical importance, both to the Government and to the people of India; for without clearly understanding this connexion between great seats of demand and the value of land, we must be perpetually liable to errors of the greatest moment, as well in our political as our financial measures, in the administration of a country where all these seats depend upon our public establishments, or upon public establishments at our disposal.

From the time when the Mahommuduns, in the

* Since the Government has availed itself of the great talents, abilities, and application of Mr. Holt Mackenzie, in the office of secretary in the Revenue department; much clearer views have been had, and much more judicious measures pursued in this branch of our Indian administration.

thirteenth century, drew into circulation and employment the precious metals, which, flowing in a perpetual stream from the west, had remained an useless deposit in the temples for more than three thousand years, the seats of demand for surplus agricultural produce in India made some progress in changing their character.* From depending entirely upon revenue drawn by the sovereign, or feudal chiefs, for the support of military and ecclesiastical establishments; many seats of demand had become to depend upon incomes derived from employment in arts, trade, manufactures, and commerce. In Europe when the great territorial lords were prevented from plundering each other, and from exacting all the surplus produce of their own lands, to support licentious and idle militia, by the vigorous administration of a few enlightened sovereigns, industry extended; and the episcopal sees and the residences of the great officers of state became the seats of arts,

* The first invasion of southern India by the Mahommuduns, took place in 1293 of our *Æra*; and from that time till it was formed into an independent Mahommudun kingdom in 1349, one invading army followed another in quick succession; and the treasures they sought seemed as inexhaustible as the human blood through which they waded to them.

It was into this part of India, that the precious metals flowed from the west; and were lost in the temples. Many millions flowed back to Europe through Tamerlane, Nadir Shah, &c. &c. The gold of the Duckun was to the Mahommuduns, what that of Mexico and Peru were afterwards to the Spaniards. The treasure taken back to Persia from India by Nadir Shah has been by some computed at two hundred and thirty millions of our money; and by some so low as seventy millions.

Three adventurers returned from these expeditions into southern India, to murder their emperors, and ascend the throne by the aid of their booty.

trade, manufactures, and commerce; and the demand of these seats became in time, independent of military and ecclesiastical establishments.

So it was in southern India, or India south of the Nurbudda river, while it was divided into independent Mahommudun sovereignties, and exhibited a picture of Spain under the Moors; and so it was in other parts of India, as Malwa, Guzzerat, and other places in which independent Mahommudun sovereignties were established; and so in Bengal and other parts, in which Governors were sovereigns in every thing but name. Improved tastes gave active employment to the people; and in the exercise of their physical and mental powers upon objects of luxury and convenience, an independent claim upon what they required of the surplus produce of the land. The tastes differed, but they all gave this employment. The tastes were in some parts as in Bengal, for foreign and domestic luxuries, which, like those of Europe, soon perish and disappear in their use or enjoyment. In others they were for great works, useful or ornamental, which though used and enjoyed, last through ages; and after the lapse of centuries excite the wonder of the traveller. The one was like the taste of the Egyptians and other nations and states of antiquity, and that of the commercial states of Italy; the other like that of the commercial and manufacturing states of modern Europe. As far as they gave equal employment to those who depended upon the surplus produce of the land for subsistence, and had nothing to offer in exchange, but the use of their mental and physical powers, they were both equally useful.

The Marhatta power originated in the invasion and desolation of the independent sovereignties of southern India by the emperor Aurungzêbe ; and rose gradually and simultaneously with ours, amidst the anarchy and civil wars, which followed his death ; and continued under his imbecile successors.* We flatter ourselves with having conquered India—we have been merely the most successful competitor for dominion where all dominion had ceased ; and have merely been employed in collecting the scattered fragments of a general wreck. We have not yet applied our knowledge to form any thing out of these collected fragments ; and though they are all at our disposal, they are but fragments still, which another tempest may scatter.

The few seats of great and independent demand, which escaped the ravages of the civil wars, in which our power rose, we have consumed by slow degrees. The Marhattas destroyed them by their misrule ; and by their want of taste for that luxury, convenience, and magnificence, which, under the Mahomuduns, gave active employment to the mental and physical powers of those, who had nothing else to offer for the surplus produce of the land they required for their subsistence. We have destroyed them by our colonial, commercial, and manufacturing prejudices ; and by other means that will be considered in a subsequent chapter ; and between us we have reduced nearly all the great seats of demand for agricultural produce, to their primitive state of

* He died A. D. 1707. After he had reduced southern India to a complete scene of anarchy and desolation, such as the ambition of Louis the 14th produced in the Palatinates of the Rhine.

Hindoo simplicity, and dependence upon military and ecclesiastical establishments.

The population of India is not, perhaps, less than it was under the Mahommudun dominion; but our military establishments are reduced in number to perhaps one-fiftieth part of what they then were, including the feudal militia. The ecclesiastical establishments are no where increased; on the contrary they are much diminished in all the fixed seats. Infinitely less numbers are now employed in manufactures, trade, and all the arts that contribute to the convenience, luxury, and embellishment of life. Our civil establishments are certainly not in numbers one-tenth of what they were under the Mahommu-dun Government. The system of agriculture is now as good as it was then, and our lands are not much less fertile; consequently they will yield as great a surplus produce. Where then may we ask are all those subsisted upon the surplus produce of the land? Where, if we take one-third of the produce as surplus in revenue, are the thirty millions of people subsisted upon it? Are they employed in our public establishments; or are they any where usefully employed? These are questions that have, in all probability, suggested themselves to many well informed men in India, though I have never heard them stated.

It is not my object in this chapter, to enlarge upon the practical application of my reasoning to our Indian administration, as this will be the subject of future chapters, and would extend this to too great a length. I may, however, here state, that when we

have had a cession of territory from a native prince or chief, in lieu of money subsidies, we have generally chosen them from their fine condition; and this fine condition has commonly arisen from the great effectual demand for land produce, furnished by the great military establishments maintained within them under the former government; establishments that consumed not only all the surplus produce of such territories, but that of lands far beyond their boundaries.

The wages of agricultural labour are paid in kind, and are pretty nearly the same throughout all parts of India; and the corn rents are pretty uniform, or ought to be uniform, from lands of the same natural fertility throughout the country; but money rents from lands of the same quality vary according to their distance from the seat of demand for their produce, in a manner quite incredible to those who have had no opportunity of personal observation. There are no roads in any part of the empire, over which a wheeled carriage can pass for the greater part of the year, from any great seat of demand, to the distant lands to which it has recourse for supply; and it is not at all uncommon, to bring raw produce to these great seats, a distance of one hundred and fifty miles upon the backs of bullocks. The costs of conveyance in this mode amount, in ordinary seasons, to more than double the price of the produce itself upon the lands from which it is brought; consequently the price of produce at the seats of demand must be more than three times what it is at the distant lands that supply it; because, besides the costs of conveyance, the wastage, and taxes, and duties,

imposed upon the produce in its transit, must be paid in the price, and can be paid in nothing else.

The quantity of produce purchased upon the most distant lands for one pound sterling, must be sold in the seat of demand for three or four pounds sterling ; and the produce drawn from the lands in the vicinity of that seat, must be sold at the same price ; because there cannot be two prices for the same thing in the same market. If one-half the produce be taken for rent in both, the distant land from which that quantity of produce is taken, will pay a rent of ten shillings ; but the same quantity of land in the vicinity, will pay a rent of thirty or forty shillings ; because both lands are supposed of the same quality, and both to give half their produce as rent."

The territories ceded to us are commonly upon the frontiers of the state from which we receive them ; and this circumstance, which makes them the more eligible for us, has commonly occasioned their being made the seats of great military establishments, which by their demand for agricultural produce, have extended the cultivation, and increased the population and industry of these territories. But as these territories border upon our own, the great establishments by which they 'have been' occupied and defended, are no longer necessary for military purposes. No danger can be apprehended from without ; and to prevent internal disorder, the few troops we are willing to maintain are thought to be more necessary within the territories reserved by the native state. Our administration of such newly acquired territories commonly, therefore, begins, by

reducing, or removing the whole or nearly the whole of such establishments.

Before, however, they are removed, or that our intention of removing them has been promulgated, a settlement of the land revenue is made for a period of years ; and is probably rated upon a calculation of the average money rents, paid to the former Government for a certain number of years preceding the transfer. Or calculating upon the increased *tranquillity and security* that cannot fail to follow the removal of such large military establishments ; and the consequent *increase* of labour and stock applied to the lands, the farmers and cultivators may be prevailed upon to engage at this rate for the first year, and for every succeeding year of the settlement at an increased rate, or at what is technically called a *Rusudee Juma*. This arrangement completed the long impatiently urged measures of disbanding and removing public establishments, and reducing local expenditure to the lowest possible scale, are carried into effect. But an effect not calculated upon soon manifests itself in the most unequivocal symptoms. A very deficient market or no market at all is found for the surplus produce of the land, which the farmers and cultivators are very willing to give the Government in rent or revenue ; but finding no market in which they can exchange that produce for money, they find themselves unable to pay money to the state. Government will, however, take nothing but money in rents and revenue ; and unless it brings back the public establishments, increases in some other shape the local expenditure, or reduces the assessments, lands are soon

thrown out of cultivation, farmers and cultivators are thrown into jail for defalcation or contumacy, or desert to other countries with all their moveable stock ; and the assessment inevitably reduces itself by rapid degrees through a period of disorder, wretchedness and depopulation.

An increased local expenditure in public works of great and general utility may possibly sometimes suggest itself to the local authorities as of much greater advantage than reductions in the assessment ; but they can have little hope that any arguments they can adduce will ever bring the paramount authorities to the same just conclusion, and this is scarcely ever had recourse to. Mr. M'Culloch has told them, as he has told the absentees of Ireland, that the abstraction of revenue can never take away employment from a country, nor its expenditure ever give it ; and the absurdity of this doctrine has never yet been sufficiently exposed. The employment of the people, he says, depends upon *capital*, and *capital* is not reduced by the abstraction of *revenue*. If we turn to his " Principles of Political Economy," we find capital to be all that portion of the produce of a nation's industry, which *can be made* available to the support of human existence, or to facilitate production, without regard to its actual employment, whether as stock or revenue ;* and the employment of the people to depend entirely upon that portion of

* Page, 92, 93, 94, and in p. 115, he makes man himself *capital* and " as much the produce of labour as any other machine." This portion of capital is certainly not deficient in Ireland ; and it is a good portion where good use is made of it—but of this by and bye.

the national capital, which consists in food and clothing. If the Irish absentees take three millions a year in *food and clothing* from Ireland, it cannot be affirmed very consistently with such definitions, that no capital is thereby taken from Ireland, nor any thing upon which the employment of labour depends.* A local expenditure, would in such territories, provide a salutary market in which the rude produce of the land might be exchanged for money, paid by the Government for mental and physical powers employed for the benefit of the people; and without it the assessments too often reduce themselves through years of wretchedness, oppression, and disorder.

The reserved territories of the native state into which the military establishments have been removed, improve rapidly in extended tillage, and increased population and industry. Not only do the money rents, paid by the farmers and cultivators to their Government, return to them in exchange for their produce, but that collected by us in the ceded territories, and paid to these removed establishments, is distributed among them in the same manner. The native Government and its officers being, like ourselves, unacquainted with the effects of these establishments upon the value of the lands, have not of course any more than ourselves, made their settlements of the land revenue with reference to their probable increase or decrease; and all the increased value they impart to the lands in these reserved

* I attribute to Mr. McCulloch the paper on absentees in the 85th number of the Edinburgh Review; and regret that his talents should have been wasted upon it; and that so excellent a publication should have been employed to circulate so much fallacy and sophistry.

territories, goes for a time to the farmers and cultivators. Tillage is extended, stock augmented, and population increased. At the expiration of existing leases the Prince of course shares liberally in these advantages; and sometimes finds, that instead of a pecuniary loss, he has by the new arrangement a considerable gain; as all the frontier districts to which he had before been obliged to make annual remittances of money, now are become tributary to his treasury. If these districts cease to yield the means of paying what we require to send him indirectly through the medium of these establishments, we must furnish it from our other treasuries.

In India the agricultural classes have little of fixed and inconvertible stock upon the land, to detain them; and generally local attachments are not permitted to grow up and take a strong hold of the mind among them. Districts that are lightly assessed are very soon peopled and cultivated at the expense of those whose lands are highly assessed; for whole families and communities emigrate with not only all the instruments of tillage, but all the materials of good society in their train. Though our Government is always liberal, and prepared to relieve pressure upon the agricultural classes when fully assured of its existence, that pressure often manifests itself in the desertion of the lands, and the emigration of the people before that assurance can be conveyed. I have seen an immense extent of country saved from desolation by the officer in charge, relying upon the confidence of the Government in his integrity and judgment, taking upon himself to relieve distress and arrest the progress of

emigration by a great and general reduction in the assessment. He fell a victim to his anxiety and mental labours; and in him society lost one of the most amiable members, and the Government of India one of the best public servants they have ever had.*

In the territories of which he had charge, the effects of disbanding, reducing and removing public establishments were so great, that in a few years the farmers could scarcely pay the rate at which they had cheerfully engaged before these establishments were taken away, with the whole annual produce of their lands, sold at the price to which it was reduced; while the farmers of the reserved territories, into which these establishments were removed, could pay theirs from the sale of the *chaff alone*, for the use of the cattle. Though the subject will be treated more in detail in another part of this work, I may here remark, that the lands we receive in this fine state of cultivation, have been commonly more or less exhausted by long tillage; while those of the reserved and less cultivated territories have for the most part been enriched by long fallows; and could pay a higher rent, even if the advantages with regard to the market were equal. From twenty to thirty years of tillage unassisted with manure, irrigation, or flooding, will reduce the finest soil in India from a return of twenty-fold, to one of three or four; and generally speaking the lands of India are assisted

* I regret that I do not at present feel at liberty to name this distinguished individual, who was so great an ornament to the Bengal Civil Service; but there is not a member of that service that will not know whom I mean.

only by the mechanical application of the plough. This can only develop existing powers—it can add no new ones to the soil. My object is to have my propositions clearly understood, and my conclusions found applicable to useful purposes; and these objects may I hope be effected without a more particular reference, which I do not at present feel at liberty to make to the particular cases by which my reasoning is illustrated. That my statements here are strictly true will be acknowledged by the revenue department of our Indian administration; and for that chiefly are they intended.

These great seats of demand, and the just and liberal views of one local administration, render the lands more valuable, and impart a feeling of permanent interest in, and local attachment to the soil; but the removal of this establishment again reduces this value, while a less just or liberal administration takes advantage of these feelings of attachment, to exact from the farmers and cultivators more rent than the lands can fairly be made to pay; till these feelings are lost, and the lands are left waste, or let to wild speculators, or needy adventurers, who have neither character to support, nor property to lose.* If native Governments outrage these feelings of local attachment more than we do (a thing we are often apt to believe merely because we wish to

* Mr. Browne found the lands of Egypt divided between the Government and the Church all private rights of property in the soil having disappeared under a long system of oppression. The cultivators, as in India, had the privilege of quitting their lands when they pleased; but claimed no right of property in them. Still he found persons, whose families had, without any right of property in them, cultivated the same lands for several generations. See Travels in Egypt.

believe it) they certainly know a great deal better how to create them. They encourage the formation and maintenance of those links, by which man's affections are connected with the soil, while we either discourage or entirely neglect them. A grove of mangoe-trees, a temple, or a reservoir, is a strong link, by which the affections of the man who formed it, and those of his posterity, are bound to the spot upon which it is formed ; and though under native governments the officers may more often avail themselves of such links, to exact undue rents, than under ours, their formation is encouraged by them and directly or indirectly discouraged by us.

It is always difficult and commonly impossible to ascertain precisely the value of lands as a source of money rent or revenue to Government ; and wherever this *tax upon the affections* is imposed within our territories, it arises from this difficulty ; because there is, as I have observed already, a disposition as well in the government as in the European revenue officers, to relieve pressure in the public burthens, as soon as an assurance of its existence is felt. Mr. Elphinstone, whose liberal feelings and enlightened mind are an honor to the service in which he has risen, and to the government over which he now presides, has told us, that a large portion of the cultivators of the Poona states, before they came under our dominion, were proprietors of the lands they occupied, subject to the payment of a land tax to Government ; but, that Government had taken advantage of their local attachments, to make them pay considerably more than what was paid by

mere tenants at will.* But it should not be forgotten, that some preceding administration of that Government must have encouraged the growth of these feelings, by a more just and liberal policy.

These works, such as temples, reservoirs, canals, groves, &c. are never in India formed with a view to profit; consequently never by *capital*, in the common acceptation of that term; because they never secure a claim upon the land or labour of any one. Under oppressive administrations, the farmers and cultivators of the soil, and the proprietors, where there are any, avoid the formations of such works, lest the Government officers should avail themselves of them, and of the feelings they create, to exact more rents than they should be obliged to pay for lands in which they have no such works and no such attachments—in other words *to tax their affections*. In some parts of India they even avoid as an established rule, the cultivation of an estate upon which they live and have the little stock they possess. They will not even keep and repair their ploughs upon the lands they till; so that they have no local tie whatever, of which the proprietor or Government officers could avail themselves as a means of undue exaction. Upon the estate in which they live they have nothing more than their hut, their plough, and their bullocks; and in this they pay a tax rated upon the plough, of about ten shillings; while the tax they pay upon the lands tilled with this plough in another estate, varies from six to ten times this sum, according to the quality of the soil, and its distance from the seat of demand.

* See his report upon the territories acquired from the Peishwa.

The natural powers of the richest soil in the world may be soon exhausted by an uninterrupted succession of impoverishing crops, without manure or irrigation; and to develop, repair, and improve these powers by irrigation and manure, much property and labour must be invested in fixed and inconvertible stock. But while such stock, instead of enriching the proprietor, is to furnish the means of his oppression and ruin, he will not surely invest his labour and property in its formation. The greater part of the stock required for an improved system of tillage, and for the creation of feelings of local attachment, is of a fixed and inconvertible nature; and if an improved system of tillage, and feelings of attachment to the soil be desirable, as they unquestionably must be in all countries, Governments should encourage its investment by all possible means. We are told by Volney, that in Turkey circulating stock escaped the officers of Government, while fixed and inconvertible was made an instrument of oppression and outrage. “La classe qui fait valoir les denrées
 “en les mettant en œuvre ou en circulation n’est pas
 “si mal traité que celle qui les procure : la raison en
 “est que les biens des artisans et des marchands,
 “consistant en effets mobilières, sont moins
 “soutenus aux regards du gouvernement que ceux
 “des paysans.”*

Even in the rudest or most simple state of society, in order to make the earth yield its fruits, it is necessary to invest property and labour for the formation of stock, inconvertible for a time; and a feeling of

security in the exclusive possession for that time must be given, or they will not be so invested. We are told by Cæsar and Tacitus, that the Germans gave this security for only one year ; and we may be assured that beyond the seed no inconvertible stock was invested by them in the lands they tilled. The former tells us, that they changed often the seats of cultivation, to prevent the acquisition of property, and preserve equality ;* and when industry was so confined, to prevent the appropriation and improvement of the land, was an effectual mode of preventing the acquisition of any property but flocks and herds. Though from the nature and circumstances of our great seats of demand for agricultural industry in India—their constant liability to change situation, to increase and decrease, and the consequent fluctuation of value in the lands, I should not think a fixed land tax, or a land tax *rated upon a fixed valuation* generally expedient ;† still I think we have not yet in our periodical settlements given sufficient encouragement to the investment of property and labour in fixed and inconvertible stock, absolutely necessary to an improved system of tillage, and to feelings of local attachment in the soil.

It is absolutely absurd to talk of a want of *capital* upon the land in India : there is no such want : it abounds in all parts ; and is in all parts available, as long as the Government leaves sufficient of the annual returns to the proprietors, farmers, and cultivators. All that is wanted is a *concentration of capital*,

* De Bel. Gal. L. 6. l. 10th.

† In a subsequent chapter this will be shown to be the land tax of almost all European nations.

as will be explained in a subsequent chapter ; and to this want the Ryutwar assessment is directly opposed.* I have said more than I intended in this chapter, on the practical application of my reasoning to Indian administration, because I thought it might be useful, and the digression will, I hope, be excused, from the motive by those who may feel no particular interest in that subject.

It will appear from the foregoing reasoning, that a seat of demand, whether a village, or a town, a city, or a nation, which has no equivalents to offer in exchange for land produce, either arising from the employment of its own domestic funds and instruments, or drawn from the employment of those of other places, in private incomes or public tribute, must necessarily depend for supply upon its own lands. It can have no effectual demand for the land produce of any other place ; and is as effectually debarred from all purchase of the necessaries of life from other countries, while it continues in these circumstances, as it could be by any insurmountable barrier of nature. The population of such a seat of demand might, at the same time, extend to the utmost numbers that its own lands could be made to supply ; and the history of Egypt, Israel, and the Grecian Republics may satisfy us, that a very good system of tillage is by no means incompatible with a very simple state of tastes and manners.

If in such a state of society the lands were all

* How this concentration can be best effected will be considered in another chapter ; but in the mean time I may say, principally by letting lands in estates of from two hundred to two thousand acres each.

distributed in private property, all taxes would be of necessity ultimately incident upon land rent, provided no other fund of the necessities of life were appropriated, and no other claim had been created by the formation of some instrument applied to the cultivation of the soil, or the distribution of its produce. The moment that any other fund is appropriated, or any such instrument is formed, to convey a claim to others, from that moment all taxes cease to be of necessity incident upon the proprietors of land. The landlords depend upon them, as much as they depend upon the landlords: an independent income is derived from an independent claim; and this income becomes liable to be affected by taxes, either in its acquisition or in its expenditure. In this early stage of society the appropriation of land is no less necessary to its efficient improvement, than as a consequence of value, arising from the necessity of recourse to portions more distant and less fertile, as society concentrates and becomes fixed in seats of demand. The powers of the soil to supply food being limited within the capacities of the other funds, to supply what we require from them, the object of all societies is to develop and improve these powers as population increases; and for this purpose appropriation seems necessary.* The Mahommudun law-giver, the Persian, and the Hindoo, all recognize this necessity; and convey a right of property in the soil to him who by his property and labour shall render it available for the subsistence of man.

* There is a singular coincidence in the very expression of these several law-givers, as will by and bye be noticed in the chapter on "land-tenure."

The other funds of subsistence require not the application of material and intellectual stock, to make them conducive to our subsistence; and appropriation is unnecessary to them, either for their efficient improvement, or as a consequence of recourse to worse and more distant. But as society advances, and man requires something more than the absolute necessities of life, material and intellectual stock is applied to these unappropriated funds, to make them conducive to our more refined enjoyments; and though man is still left to draw freely from them what he requires for his mere subsistence, he is often made to pay a rent for them in the price of his luxuries and conveniences. The material and intellectual stock, by which these unappropriated funds are made to contribute to our luxury and convenience, and the produce of the appropriated funds, to our more refined enjoyments, forms an independent claim unknown in the ruder and more simple state of society; and this claim is made to contribute its portion to the public burthens of the state; while it is, at the same time, made the medium of conveying another claim of the Government, upon all those members of the community, who partake of the enjoyments, in the increased price they pay.

As this material and intellectual stock grows up in society, even the fountain of light and the atmosphere become appropriated, through its medium. It is not permitted to be applied to these funds but in such places, at such times, and in such portions as the Government may please to licence; and thus the powers and properties of these funds, in as far as they contribute to our more refined enjoyments by its

means, are limited artificially, as those of the appropriated funds are naturally.* Though a man may freely enjoy all the advantages of the fountain of light without, he is obliged to pay a rent for it within, through the medium of a tax upon his windows; and though a man may breathe the atmosphere freely, he is obliged to pay a tax for it in the price of some of his enjoyments, through the medium of the instruments that extract them. It would be great folly to say, that the rent we paid for the sun, through our windows; and that we paid for the atmosphere, through such machines, were ultimately incident upon land rent, unless the incomes from which we derived the means were composed of rent.

As society advances from the simple state, and industry extends, individuals, who have no share in the appropriated funds of our subsistence, invest their labour, and their property in the formation and acquirement of that stock by which their powers are made available and improved; their produce distributed, and formed into enjoyments, suitable to our wants and our tastes; and by the employment they acquire independent claims not only upon the annual returns of these funds, but upon those of funds situated in distant countries. Others invest their labour and their property in the formation and

* Mr. Buchanan accuses Doctor Smith of mistaking the nature of profits derived from secrets in trade; because he had said they were "the high prices of their private labour;" and says they are no wise different from land-rent. See his Edition of the *Wealth of Nations*, vol. 1, p. 91, B. 1, L. 7.

But Doctor Smith never thought them different. See 5th Edition, vol. 1 p. 225, B. 1, L. 11.

maintainance of the material and intellectual stock, by which the unappropriated funds are made to contribute to our enjoyment; and by which the enjoyments of distant nations are distributed among each other in commercial intercourse; and thereby acquire incomes independent of the proprietors of domestic lands. Others acquire independent claims by the formation and employment of that material and intellectual stock, which contributes to our amusement, our instruction, and our security; while others, by the employment of material and intellectual stock in distant nations, acquire a claim upon the annual returns of their funds and instruments, which, when they return home, enrich their country by a tributary stream of enjoyments.

Others again acquire a claim upon the annual returns from the land and labour of their country, by investing their property in that stock, which is neither employed in augmenting the amount of our enjoyments, nor increasing the sum of their exchangeable value. Such is the national debt of England; and such all those private debts, which have been contracted without augmenting or improving the funds and instruments of production; and increasing the revenue of those upon whom the obligation to pay the interest or profits, devolves. I do not pretend to deny, that much of the national debt has been contracted for the benefit of the nation; for without the liberty and independence which it has contributed to secure, the quantity and powers of our funds and instruments would have diminished; of what they produced, a great portion would have flowed in a tributary stream to a foreign state; and

the portion left us to enjoy, we should have enjoyed without dignity.

In time all the members of an improved society become more or less independent of each other for the portion of enjoyments they receive ; and the claim of every one is or may be made to contribute its portion to those enjoyments, which are distributed to the public establishments through the medium of the Government. The material and intellectual stock of public establishments is not necessarily the less employed for the benefit and enjoyment of the people, that it happens to be employed by, and paid through the medium of the Government. A Government which does its duty to the people will pay no more of this stock than what it can and does employ for their advantage, and though in the more advanced stages of society Governments commonly employ too much, in the earlier stages of society they have often employed too little ; and left without honest subsistence, to prey upon the very vitals of civil society, those who would have gladly contributed their mental and physical powers to its support.

As society advances and a greater variety of independent incomes become acquired, to contribute to the support of public establishments, the financial system of a Government necessarily becomes more complicated, in order to make the burthen fall more equally. The financial system of a nation may, therefore, be considered always to expand with the growth of its material and intellectual stock.

Though industry declined, and material and

intellectual stock disappeared in some few nations after their subjection to the Roman dominion,* the general tendency of that Government was, to extend industry and augment this stock, by the formation of towns and cities ; the construction of great works, useful or ornamental ; the introduction of arts ; the establishment of good laws, efficiently administered ; and useful institutions, religiously maintained. The financial system of the Romans in their distant provinces became more complicated, as their dominion in them became more firmly established ; as the necessary consequence of the growth of this stock among the people. But the general tendency of the northern barbarians, who conquered and occupied these provinces after the decline of this empire, was to destroy all this material and intellectual stock : depopulate the towns and cities ; subvert the Government, laws, and institutions established by their predecessors ; and bring industry back to its state of primitive simplicity.

It was, therefore, their tendency to *simplify the financial system* of their predecessors ; for when they had reduced industry to agriculture alone, and land had become the only fund of the necessities of life appropriated, all taxes became necessarily incident upon the proprietors. The only thing left for the sovereign to consider, in his financial system, was the most convenient and equitable mode of taking what he required from them, and he could

* Epirus was a rich, powerful, and populous nation before conquered by the Romans, under whom it became ruined and depopulated. Paulus Aemilius destroyed in it seventy cities ; and carried away a hundred and fifty thousand people as slaves. Strabo, Lib. 7.

not be long in discovering, that a plan much less simple than that of the Romans would answer his purpose. A justly celebrated writer has, however, ventured to deny that the Gauls and Romans ever paid taxes even immediately after the conquest of the Franks, "because he cannot conceive how these Franks should have been at first such great *friends* and afterwards such sudden *enemies to taxes*. It was very natural, that the Roman *art of tax-gathering* should fall of itself in the monarchy of the Franks, because it was a most complicate art, far above the conception and wide from the plan of this simple people."*

It would, however, be found much less difficult to teach the Tartars, should they now invade England from the banks of the Jaxartes, our complicated system of finances, or at least to get Englishmen who would gather the taxes for them, than to prevail upon them to preserve all that material and intellectual stock, those towns, cities, arts, trades, manufactures, commerce, laws, institutions, establishments, &c. &c. that render a complicated system necessary. They would, in all probability, soon simplify our system, as the Franks did that of the Romans, not by wisely framing a code more suitable to their plan of liberty, but by reducing industry to agriculture alone, or restoring society to its primitive state of pastoral simplicity. We find that the capacity of these barbarians, to comprehend a financial code, instead of improving, got worse and worse after their establishment; and that they could comprehend

* *Esprit des loix*, B. 30, l. 13.

scarcely any thing but a tax upon heads, about the time that all the material and intellectual stock which had grown up under the Roman Government, laws, and institutions, had been entirely destroyed.

“Towards the commencement of the first race” says the same author, “we meet with an infinite “number of free men both among the Franks and “the Romans; but the number of bondmen increased to that degree, that at the beginning of the “third race, all the husbandmen, and almost all the “inhabitants of towns were become slaves; and “whereas at the first period there was very near the “same administration in the cities as under the Romans, namely a corporation, a senate, and courts “of judicature; at the other we hardly meet with “any thing but a lord and his bondmen.”* When we find society reduced to territorial lords, and predial slaves, we may venture to conclude, that their system of taxation is *very simple*; and that the plan of liberty or *system of anarchy* effected this simplicity of their financial code by destroying the material and intellectual stock of the country. Were the Cossacks and Tartars to conquer England and France, and enjoy the same liberty which the Saxons enjoyed in the one, and the Franks in the other, of first pillaging, destroying, and reducing to slavery the people, and then pillaging and destroying each other, they would in the course of a few generations reduce our financial system to a

* *Esprit des loix*, I. 30, l. 11.

“Under the Merovingian Princes the Roman cities were abandoned “to ruin and solitude.” Gibbon, vol. 5, p. 143.

very simple form, not “ far above the conception
“ nor wide from the plan of a free and simple people.”

The system was not simplified by the incapacity of the barbarians, to comprehend it. The taxes continued to be collected through agents perfectly well acquainted with the plan, while the funds destined to pay them were preserved : and were not all changed into military services till society was reduced to land-proprietors and their bondmen ; industry confined to agriculture ; and no equivalent any where to be found to receive in exchange for land produce, and offer in taxes to Government.

Though the financial systems of most European nations are, no doubt, more complicated than is requisite for an equitable taxation ; that system, to be equitable, must necessarily become more and more complicated as society advances, industry extends, and nations improve in wealth and enjoyments. It was very sensibly observed by Arthur Young, “ that
“ taxes ought to bear lightly upon an infinite number of points, heavily upon none ; and that simplicity in taxation was the greatest additional weight
“ that could be given to taxes, and ought, in every
“ country to be most sedulously avoided.”* And the same author has observed of the *impôt unique*, of the School of Quesnai. “ I know not whether Mr.
“ Locke was the original father of the doctrine, that
“ all taxes, laid in any manner whatever, fall ultimately on land ; but whoever started or supported
“ it, contributed towards the establishment of one of

* Travels in France, vol. 1, p. 596.

“ the most dangerous absurdities that ever disgraced
“ common sense.”*

That they are not so incident where industry has extended, has, I believe, been sufficiently shown in this chapter ; and in the next chapter I hope to show, still more satisfactorily, that the conclusion of economists, that *all taxes* must fall upon the wages of labour, the profits of stock, or the rent of land, *actually employed in producing and bringing to market* ; and, consequently, that if they cannot fall upon one of the three, they must all fall exclusively upon two ; and if they cannot fall upon two of the three, must all fall exclusively upon one, is a conclusion founded entirely upon false premises.

* Travels in France, vol. 1, p. 590.

END OF CHAPTER THE FIRST.

ERRATA.

- Page* 23.—For “All the,” read All of the.
27.—For “and cohaerentibus,” read et cohaerentibus.
35.—For “indispensible,” read indispensable,
38.—For “former,” read farmer.
40.—For “to breath,” read to breathe.
50.—For “there,” read their.
55.—For “adormed,” read adorned.
98.—For “the rent,” read the tax.
90.—For “this establishment,” read these establishments.
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A
LETTER
ADDRESSED TO THE,
Proprietors of East India Stock
ON THE
MEASURES ADOPTED
BY THE
Honourable the Court of Directors
FOR THE
DISCHARGE
OF A CONSIDERABLE PORTION OF THE PRESENT EXISTING
SIX PER CENT.
INDIAN LOANS.

LONDON :
PRINTED FOR J. M. RICHARDSON, 23, CORNHILL,
OPPOSITE THE ROYAL EXCHANGE.

1821.

**Marchant, Printer, Ingram-court,
Fenchurch-street, London.**

、 L E T T E R.

&c. &c.

To the Proprietors of East India Stock.

The measures announced by your Executive Body, in the Gazette of the 7th instant, as having been adopted, involve some considerations which cannot be unimportant to you. The following is a copy thereof:—

“ East India House, July 6, 1821.

“ The Court of Directors of the United Company of Merchants of England trading to the East Indies do hereby give notice,

“ That measures having been adopted which may lead to the discharge of a large portion of the existing six per cent. Indian loans, the Company’s loan-creditors resident in Europe are hereby apprised of the circumstance that they may furnish their agents with instructions accordingly.

“ The Court have authorised their Bengal Government to open a new six per cent. loan in India, to which the present six per cent. obligations are transferable. The terms and conditions of the new loan may be known on application to Mr. Medley, at the Accountant-General's Office at this House.

“ JOSEPH DART, Secretary.”

The prosperity of the East India Company is on every account so much to be desired, and the interests it embraces are so important, in a national point of view, that no individual in the kingdom can look with an eye of indifference upon any measures which, either immediately or remotely, are calculated to shake its credit or diminish the reputation of your Executive Body for fair and honourable conduct.

The high character of the members who at present compose your Executive is a pledge that, except from the fallibility of human judgement, no public act would originate with them capable of being successfully impugned as contrary to the principles of justice, and, most assuredly, it warrants a confidence that such act would not

be persevered in, if shown to be obnoxious to such imputation.

It is, however, from a deep conviction, that the recent measures of your Court of Directors are pregnant with consequences highly injurious to many of the public creditors of the East India Company, contrary to the obligations of implied good faith, and impolitic in their tendency as respects the real interest of the Company itself, that I am induced to submit to you the facts and reasonings which have, in the minds of many persons, established such opinion.

In the following statement, therefore, whilst it will be necessary to deal plainly with facts, and to give necessary force to the arguments deducible from them, it must be remembered, that they are addressed to measures, not to individuals: those measures, even if originating in wrong views of the subject, are clothed with the great apology which belongs to the public character of your Court—the individual talent and reputation of its members, and the public confidence that they have their origin in views of public expediency.

By the advertisement which has been recited

those persons interested are informed that measures have been adopted which may lead to the discharge of a large portion of the existing 6 per cent. Indian loans. Now, the aggregate amount of those loans is about 30 crores of rupees :* of this amount about fourteen crores consist of promissory notes, bearing date January and June, 1811; the residue, or about 16 crores of notes, of six other loans of various dates. By the conditions of the loans of January and June, 1811, the *interest* is payable half-yearly, at the option of holders of notes therein, either in cash in India or in bills upon the Court of Directors, at 2s. 6d. per sicca rupee, payable six months after sight as respects the loan of January, and twelve months after date as respects that of June, 1811. The *principal* amount, however, of both those loans, when the Company shall declare the same for payment, is payable only in cash at Calcutta. In regard to all the subsequent loans, the *interest* is payable half-yearly, either in cash or in bills at 12 months' date, but when the *principal* amount

* Crore is 100 lacks, and lack is 100,000 rupees.

shall be declared for payment, the proprietors of those notes may either demand cash or bills upon the Court of Directors, to be drawn at 2s. 6d. per sicca rupee, and 18 months after date, the Court having an option of delaying payment for three years, allowing interest at 5 per cent. per annum, after the date on which the bills fall due. It is further declared, by the same advertisement, that a new 6 per cent. loan is to be opened at Calcutta, into which the notes in any of the precedent loans will be received in subscription, and reference is made to the proper officer at the East India House, from whom the terms and conditions of the new loan may be learned. Those terms and conditions are, that it shall not be paid off for ten years; the interest shall be payable half-yearly, at the option of the proprietor, either in cash in India or in bills, to be drawn on the Court, at the exchange of 2s. per sicca rupee, and the rate or value at which the notes in old loans are to be transferable to the new loan is to be left to the decision of the Governor-General.

The fair interpretation of the words of this advertisement is, that the Company, *bonâ fide*, intend

to pay off a portion of their present funded debt ; and no proposition can be more distinctly acknowledged than that they have a right to pay off their creditors whenever they are able, nor, however inconvenient to the latter, have they any pretence for complaint ; the Court of Directors, indeed, may be said to owe it as a duty to the Company to apply the resources that may spring from your increasing revenue to the gradual extinction of your debt, but a positive discharge of your funded debt is not at all the character of the present measure ; it is, in fact, neither more or less than an attempt to force the transfer of your present loans to another, of which the terms are less advantageous to the public creditors.

Under the orders now transmitted, the Bengal government must proceed to declare for discharge the loans of 1811, it being a condition of the register-debt that the promissory notes thereon shall, when discharged, be paid according to priority of date and number, the extent of those loans being about 14 crores of rupees ; and it is notorious to every one at all conversant with Indian affairs, that the Treasury there is not and

cannot be supplied with any sum approaching to that amount; nor is it within the experience of the details of a former measure very similar to the present reasonable to suppose that, in order to accomplish the present object, it will be necessary to collect above one-fifth part of that sum. But if it be a fact that there exists a power on the part of the Company, from the operation of particular circumstances, to compel the transfer of their present loans, with a sum vastly inferior to their extent, is the exercise of this power defensible upon any one plea of justice? The effect to be produced upon the property of the present holders of Company's 6 per cent. paper, by the success of this measure, cannot be precisely quoted in its extent, because it is not possible to foretel what *discount* the new loan may fall to as compared with the average value of the present loans of 1811. It is certain that, at the date of the last accounts from India, the notes in those loans were saleable at a premium of 6 or 7 per cent. but it is quite clear, that those who made investment of their money therein, for the purpose of income in this country, will receive less in interest by 20 per cent. on the notes in the new

loan than at present they do ; that is, a person who received in interest, sicca rupees 6000 per annum, had bills remitted at 2*s.* 6*d.* for . . . £750

The interest in the new loan, rupees 6000,
at 2*s.* will be only 600

It is equally true that the adverse exchange of 2*s.* per sicca rupee, at which the interest in future is to be payable, must diminish the market-price of the new loan, even in the case of those who did not make investment of their money for the sake of remittance to this country ; every creditor, therefore, in the non-remittable loans of the Company becomes injuriously affected.

A little consideration will serve to show how it comes to pass that, without the means of paying off their funded debt, the Company are in a condition to proclaim that debt in course of discharge, and compel an advantage to themselves upon one mode in which they conditioned to pay the interest. The creditors of the Company are the natives of India ; Europeans resident there (chiefly their own servants) ; and persons resident in this country. These various classes of their creditors, thus scattered, can scarcely be brought to act together for a common interest : very many of

them in India, however they may feel the injury, still as public servants are in all cases averse to oppose themselves to measures of Government, and in many cases would feel restrained from so doing from the nature of the situation they hold in the service ; but, in either case, so far as they are concerned, it is difficult to suppose that in any public form they could unite in opposition. It is however true, that the only circumstance that could defeat this measure would be, that the holders of notes in the loans declared for discharge should combine to receive the amount in cash until the means of payment on the part of the Company were exhausted ; but this can scarcely be expected ; for, as the commercial community of India could not immediately employ even three crores of rupees, those creditors who to that extent should receive cash for their notes would be compelled to keep it in unproductive deposit for an indefinite length of time, they must thus sustain a positive loss, and it is at least questionable whether this would be actually incurred for the sake of defeating a measure of the Company, and to protect the interest of creditors whose notes

are registered lower down in the register than their own; whether, in fact, A to D would subject themselves to actual loss, though undefined in its amount, in order that E to H might not be exposed to the same injury. In a former case this was partially attempted, but failed; the consequence then was, that, with about five crores of rupees in the Treasury, the Company succeeded in compelling the holders of their paper bearing interest at 8 per cent. to transfer the same into the existing 6 per cent. loans, and with that profitable lesson of experience before them, may they with reason look to great probability of success in a repetition of the same kind of experiment.

The success of the present measure, then, it is shown, must deteriorate the market-value of the property of the loan-holders, and in case of absentees from India, who look chiefly to income arising from that source, its effect is to reduce it 20 per cent. It is obvious, from a little reflection upon the previously-quoted particulars of the terms and conditions of the now-existing 6 per cent. loans, that those persons ~~who~~ hold notes in

the loans of January and June, 1811, must earliest sustain injury ; because, as the option of payment of the principal in this country was not a condition of those loans, and they are first on the general register, the Company are free to proceed with confidence to the discharge, as it is termed, of that part of their debt. Now, it so happens that the 6 per cent. loan of January, 1811, absorbed, by transfer, the largest portion of the 8 per cent. loans when they were discharged. At that period many of the Company's servants both civil and military had quitted India, in the confidence, that the Company would not, at least by any fictitious means, discharge those loans, leaving their property in them, and in most cases the notes themselves deposited in the hands of the officers of the Indian governments, with instructions to remit the interest as it became due. Individuals, therefore, prior to 1811, possessed of Company's paper to the extent of a lac rupees bearing interest at 8 per cent. received annually, at an exchange of 2s. 6d. per sicca rupee, £1000

By the discharge of the 8 per cent. loan in 1810, and the transfer of their proper-

ty to the 6 per cent. loans, their income
became reduced to £750

By the discharge again of those very
6 per cent. loans, into which the transfer
of 8 per cent. paper was made, their in-
come will now be reduced to 600
thus, in the space of ten years, after having re-
tired from the public service of the Company,
they find their income dwindled from £1000 to
£600 per annum, and are driven, of necessity,
either to submit to that reduction, or, by employing
an agent to receive the cash, to sustain such loss
as may occur from its necessarily remaining for a
time unproductive, or to order its remittance
to this country at a considerable sacrifice. In
order to estimate fairly whether the present mea-
sure of the Company is or is not a violation of
implied faith it is necessary to consider whether,
in fact, the condition of paying the reduced rate
of interest of 6 per cent. in bills at 2s. 6d. per
sicca rupee was or was not the consideration
that mainly influenced those individuals in par-
ticular, as well as the creditors at large, to con-
sent to transfer their property from an interest of

8 to an interest of 6 per cent. In the case of persons whose chief object was the realization of annual income in England it is not to be entertained for a moment as a serious proposition, that, if the condition of the 6 per cent. loan of January, 1811, had been that the interest should be payable in cash or in bills at 2s. per sicca rupee, they would have subscribed their property to it at all. It was too monstrous an idea for a moment to have been entertained that, after the Company had succeeded in reducing the amount of annual interest on their whole debt from 8 per cent. to 6 per cent. which on thirty crores of rupees is sixty lacs or £750,000 per annum, the Court of Directors would, at a future but no distant period, again proceed to diminish the payment of the reduced rate of interest 20 per cent. more, if the creditor availed himself of ~~one~~ of the two modes in which the Company conditioned with him to pay that interest. It is, indeed, incontestible, upon every principle that can be supposed to actuate men of sane minds, that they did not and could not calculate upon the future discharge of the Com-

pany's 6 per cent. loans, except in the degree that the improvement of their revenue would admit the actual *bonâ fidé* payment of the principal, in order to relieve themselves from the *onus* of paying interest at all upon such portion ; but it was quite impossible that they should look to see one 6 per cent. loan extinguished by another, that any financial juggle would be practised from the Company's advantage of unity of action over the broadly-scattered interests concerned ; it might, in fact, as reasonably have been anticipated that they would reduce the interest to 5 or even 4 per cent. or pay the interest of 6 per cent. in a debased currency.

There are few, if any, disinterested persons acquainted with the course of proceedings adopted by the Company's authorities in India at the period when the 8 per cent. loans were discharged that will pretend to defend those proceedings as just, or find any apology for them upon those principles of fair dealing which govern the transactions of individuals: at that period, as now, the Company neither could have paid nor have intended to pay off the debt they declared

to be in course of discharge; the measure in itself was unjust and all its details of the same character; the difference, however, between that act and the present is, that the former was more bold in its conception as an experiment: there is, at least, this essential difference, that the experience is now obtained of that which was before speculation, namely, that the public creditor is almost unqualifiedly at the mercy of the Company. At *that* period of time, the Company's funded debt was not, as *now*, exclusively registered at the Presidency of Bengal: there was a register-debt at each of the three principal Presidencies, consequently, when the 8 per cent. loans came first to be put in progress of discharge it was necessary to provide at each of those Presidencies such means of payment as seemed likely to be called for, and, accordingly cash was sent to and fro to furnish the different treasuries. It is also important to observe, that then a considerable part of the 8 per cent. debt was, when paid off at the different Presidencies, subject, at the proprietor's option, to be demanded in bills upon the Court of Directors, and

the portion of the debt guaranteeing that privilege was of such magnitude that the Indian Government did not deem it prudent immediately to attempt the discharge of the 8 per cent. loans by opening others at an interest of 6 per cent.; on the contrary, by degrees, and as they declared for discharge those loans that might be thrown upon their London Treasury in bills, they opened other 8 per cent. loans, the principal of which was payable, whenever the Company should please, in India only, into which, at a premium *to the holders* of the remittable loans, their notes were received in subscription; whilst cash-subscriptions to the new 8 per cent. loans were received at a premium of 2 and 3 per cent. *to the Company*; that is, a remittable 8 per cent. note for R^s 100 was exchanged for another in the new loan for R^s 102, and a cash-subscriber for R^s 102 or 103 received a note for R^s 100. Proceeding in this mode, so much of the remittable paper came to be discharged as, with due care in replenishing the Treasury in London, it was considered would enable the Company to meet any demands that could arise from the extent to

which it was probable bills would be demanded for the then outstanding notes in the 8 per cent. remittable loans : to meet this, the treasure which had been collected at the various Presidencies, in great part, came to be transported to London, for, in point of fact, more was taken in bills than had been calculated upon as probable.

The Company having thus cleared the register from what was deemed an inconvenient extent of remittable paper, by transfers to new 8 per cent. loans, proceeded to declare those identical loans in course of discharge, and some notes were, in point of fact, paid off before they had been twelve months in existence: the cash-subscribers, who had paid a premium of 2 and 3 per cent. had, therefore, to elect between receiving the amount of their money again, at the loss of the premium, or to subscribe the notes to the new 6 per cent. loan, which was simultaneously opened by the Bengal Government, and into which the 8 per cent. notes were received at a premium. It is not to be supposed that these proceedings were in India deemed equitable; and some attempt was made at Calcutta to defeat the plan, where a few indi-

viduals, in the first instance, did, to a certain loss, from the impossibility of profitably employing the cash, so receive the amount of their 8 per cent. notes ; but it was soon discovered that this, from the diversity of interest and character on the part of the loan-holders at large, could not be sufficiently acted on, and the reduction of the rate of interest from 8 to 6 per cent. on the whole funded debt of the Company became accomplished with a degree of ease that the projectors of the scheme, in their most sanguine mood, could not have anticipated ; and it has been proved in experience that the Company's credit still remained firm and unimpaired. They have been enabled to borrow money up to this period at an interest of 6 per cent. ; the former reduction of their interest had been almost forgotten, and, though its injustice was still universally acknowledged, when the discussion chanced to arise, it never entered into the contemplation of any creditors that their diminished property would become subject to a second purgation ; however true in the abstract, that the only guarantee of security to the creditors of a public

body is the experience of its having kept faith inviolate, the creditors, by a strange fatality, seem to have acted upon the very converse of such proposition, considering that the former enormous advantage, gained by the Company's reduction of interest, was a sure pledge that they should be guaranteed in the safe enjoyment of their diminished means, and that no public act of the Company should, in future, have the effect of deteriorating the value of their property. The minds of the Company's Indian creditors were quite satisfied that no measure similar in any respect to the former would be attempted; such confidence has raised the value of their 6 per cent. paper to a premium, fluctuating necessarily in degree, but preserving it steadily of superior value to other securities yielding like interest; the promulgation, therefore, of this measure will be received in India with the utmost surprise and dismay, and still more from the quarter whence it originates; for it is unquestionably true, that, in that country, a high opinion is entertained on the part of the British and native community of the justice and consideration of

your executive body here; nay, at this moment of time, it is generally believed, that the Court of Directors were not the authors of the former scheme, but, on the contrary, that they were, at the period of its accomplishment, opposed to its principles, on the grounds of their injustice and impolicy.

It now remains to offer a few suggestions upon the tendency of this measure as it may affect the interests of the East India Company. This involves its expediency in relation to particular circumstances, presently operative, and its more large and general policy.

In regard to its expediency, there are two ways in which it is to be viewed, namely, as it may operate to avert an inconvenient and continued drain upon the Home Treasury of the Company, and, as a question of gain, produced through the medium of a tax of 20 per cent. upon payment in this country of interest on ~~the~~ Indian debt. It is generally believed, and scarcely a doubt exists on the subject, that the primary motive of the measure is to avert such heavy payments in this country as the Court have

recently been subject to, by stipulating for so considerable a depreciation in the rate of exchange for interest-bills in the new loan, as shall have the effect of preventing the interest being taken in bills. Those payments have been increased to an unprecedented extent of late, owing to the depressed state of commerce between Europe and India. The tardy and unprofitable sale of merchandize here has extremely limited the means of remittance home through commercial bills; and the rate of exchange, consequently, has been so unfavourable as to cause nearly all the interest on the Company's funded debt to be demanded in bills on the Court of Directors, which have been negotiated in India, to the great advantage of the parties. If the Company succeed in discharging the loans of January and June, 1811, which, collectively, amount in principal to the fourteen crores of rupees, and the interest on which, at 6 per cent. is R' 84,00,000, or, at 2s. 6d. per sicca rupee, £1,050,000, they will deprive India of the means of remittance to that extent, except in times when the rate of exchange shall be 2s. per sicca rupee; but there

will still remain on the present register of their 6 cent. Indian loans the whole of those, the principal of which, when in course of payment, can be demanded in bills on the Court of Directors; these amount in the aggregate to 16 crores of rupees, and the annual interest is £1,200,000, so that, if it be admitted that the value of bills on England is regulated by their abundance or scarcity, it seems quite clear that the effect of averting the possibility of their being called upon to pay interest on the loans of January and June, 1811, will be to render it more certain that the full demand will be made for interest-bills on the residue of their debt, viz. £1,200,000, and there is every reason to believe that, until this period, which is peculiarly influenced, from the causes above noticed, the amount of the whole demand for interest on their present debt has never nearly equalled that sum. The demand for bills upon the Court of Directors is always great or small, in proportion to the relative difference between the commercial rate of exchange and the Company's rate of 2s. 6d. and experience has proved that, with rare exception, the former

is more favourable than the latter ; if, therefore, we are to presume, which it is quite fair to do, that the stagnation of Indian commerce will pass away, then the demand for Company's bills will not continue to exist ; if, on the contrary, it shall not improve, then even the unfavourable rate of exchange of 2*s.* per sicca rupee will not have the effect of further limiting the calls on the Company's London Treasury than shall be caused by the difference of 6*d.* per rupee in the exchange on R^s 84,00,000, or £ 210,000. The promulgation of this measure in India is calculated to depress the commercial exchange for a longer period than would otherwise be the case, by making persons distrustful of continuing their property in the Company's funds, and creating a consequent increased desire for remittance home. Upon the merits of the case, therefore, as a question of expediency, even it does not seem adequate to the object ostensibly proposed.

With respect to the policy of the present measure, either as immediately or remotely it may effect the interests of the Company, a few

observations occur. It is unnecessary to dilate upon the importance of keeping faith with the public creditor; it is to be presumed that in this instance the Court of Directors do not consider its violation to be involved, but out of that Court no person interested will entertain such opinion; and without access to the reasonings which have influenced the deliberations of that body, it is difficult to conceive that the course adopted by the Company can, by any who are not intrusted, be adequately defended. But, apart from all consideration, as to the fact whether or not the obligations of good faith are violated by the measure, it will scarcely be denied, that its policy can only be established by future experience of its success, or by showing that the object in view could not be accomplished in a mode less injurious to the interests of the creditors on the Company's funded debt.

In the course of this dissertation it has been stated that, on occasion of the former reduction of interest, success was complete, and that it was operated by the exercise of those peculiar advantages possessed by the Indian government,

who were long silently preparing the way, whilst the public creditor, ignorant of all intention of reducing the rate of interest, was tempted, from time to time, to dispossess himself, by transfer into new loans, of that description of 8 per cent. notes which presented, from the aggregate amount, so formidable an obstacle to the scheme; the influence of Government there, which is a great make-weight, was actively employed, but it will scarcely be denied, that the most powerful facility was afforded by the confidence or credulity of the public, who, in the dark as to the ultimate aim of Government, conceived that its only object was to effect a change in the condition of the register debt, as related to the option of payment of the principal, to cancel the option of demanding it in bills on the Court, and to make it more essentially an Indian debt; nor is it hazarding too bold an assertion to state that if, at that period of time, the creditors could have anticipated that the Company intended to reduce the interest on their whole debt, they would never have transferred the notes they held in remittable loans to such an extent as would have

enabled the Indian Government to effect their object: but, upon whatever premises the expectation was founded for the continuance of an 8 per cent. register-debt, it has been proved quite delusive; the conditions upon which they then invested their property in the Company's funds were violated, and a sudden and most material change was created in the value of property. With that experience, and the present further attack upon it, is it quite clear that the Company will succeed in what is, however it may be set forth in words, neither more or less than the compulsory transfer of the existing 6 per cent. loans? It is, at least, questionable, whether the same causes will, in this case, produce like results. On the contrary, may not the apprehension of further mischief, the opinion that there is nothing permanent in the conditions of the Company's register-debt, produce all that was formerly wanting to defeat the Company's success, by combining so many creditors in a common cause for general benefit as shall be competent to exhaust the limited means that can be collected for the present purpose, and render it imprac-

licable for a fictitious declaration of payment to inflict an injury upon the creditor : but, for the sake of the argument, be it conceded that the Company can, in this way, accomplish the extinction of the loans of January and June, 1811 ; it will be but a half measure, unless the *remittable* loans are, likewise, similarly discharged ; and, in this respect, the difficulty, as from the course of these reasonings is obvious, must be great indeed ; but if they do succeed, it must be by giving a larger bonus to the holders of that description of paper : they must deal differently with the two sets of creditors, and yet, if any class of their creditors merits the grace and favour of the Company, it is that class whose property was transferred from the 8 per cent. loans to the 6 per cent. loan of January, 1811.

The present measure is only capable of defence upon the ground of imperious necessity ; but what an admission is so implied !!! that the Company are not able to pay the interest upon their Indian debt in the conditioned mode, that very mode having essentially been the motive that induced persons to invest their money in the loan.

In such relative situation of the Company and their creditors the latter have a right to expect, as a condition for relinquishing one advantage, that an equivalent should be granted; least of all, should they be subjected to a loss of 20 per cent. on the interest, for no better reason than that it is inconvenient to the Company to pay it at all. It should rather have been expected that the Company would have opened a loan at a superior rate of interest, into which generally the present 6 per cent. loans might be transferred, or that a separate one should be opened into which the half-yearly interest alone should be subscribed at a bonus commensurate to the difference between the Company's exchange of *2s. 6d.* and that at which bills on England were procurable. Into such a loan, particularly in the present abundance of money in India those persons who had no personal occasion for funds in this country, the natives of India especially, would rather have paid their interest than have taken the bills and sold them for cash; or the Indian Governments might have become the purchasers of the bills upon the Court. Either of these modes

would have been a fit application of the Company's resources there; no violation of good faith could have been imputed; any thing, in short, would have been more just and politic, and, in all probability, much more effectual than the affectation of a power, beyond their actual means, to discharge the loans from whence such bills are derived.

This measure is, therefore, condemnable, upon every view of which it is susceptible, for its injustice, as it affects all their creditors, especially the retired servants of the Company, and those helpless and unfortunate widows and orphans whose dependence, in whole or in part, is on property thus circumstanced, and for its impolicy, as it relates to the future credit of the East India Company; for, however high it may stand at present, the time has been, and of no very remote date, when it was held in an inferior degree of estimation. Amongst the causes which have improved and confirmed that credit was the establishment of a funded debt, upon a general register, by which the creditor seemed to be secured in the enjoyment of certain advantages;

those advantages, with the security of the Company, have in different times of need made their Treasury the depository of the growing fortunes of their own servants; and the wealth of the princes of India, and the native subjects of all parts of that country, even when the current rate of interest was higher in other quarters; that it should so continue to be in time to come is not unimportant to the security of our Indian empire, but it will only be so in proportion as the conditions of that register are maintained inviolate: temporary causes may throw the creditor at the Company's mercy, but if the opinion shall become established (and it is threatened from the nature of this measure) that the Company will watch and seize the occasions as they occur of bettering their resources at the expense of the creditor, a vital blow will be struck at its future credit. It should be remembered that the present ascendancy of the Company in India has entailed a heavy debt, not disproportionate, perhaps, to the arduous struggles maintained, nor to the present flourishing and secure state of their possessions, but the day may, nevertheless.

come when that which has been acquired at such expense must be maintained by almost equal means, and the facility or the advantage with which, in the day of need, those means will be available, must, amongst other causes, mainly depend upon their reputation for good faith in the time of prosperity.

I have endeavoured to point out, in the course of these observations, the serious injury that must be entailed upon the public creditor; that such injury is to be operated by means which, from the relative situation of the parties, places the creditor at the mercy of the Company in a way not analogous to any that can obtain in the transactions between individuals; the most striking feature of difference being that, as the Company are not pledged to pay the principal of their loans at any precise time, whilst the creditor is always liable to be paid off, the Company may stop at the first point of practical difficulty. I have also laboured to show that the measure is liable to defeat, and that the continuance of those circumstances which appear to have caused its adoption, must render it of no effect in relieving

the home Treasury. It is difficult to believe that it has any equitable basis for its support, and to be hoped that it may yet be reconsidered; in truth, I have infinitely less personal stake in the success or abandonment of the scheme than very many under whose observations this statement will fall, and certainly no temptation to excite prejudice against the home or foreign authorities of the Company, collectively or individually, but I do feel a great desire that such revision may take place as shall prevent the sacrifice of the property of the public creditor and vindicate the reputation for good faith on the part of the East India Company.

A PROPRIETOR.

London, 27th July, 1821.

REMARKS
ON THE
PLANS OF FINANCE
LATELY PROMULGATED
BY
THE HONOURABLE
COURT OF DIRECTORS,
AND BY THE
SUPREME GOVERNMENT OF INDIA

BY
HENRY ST. GEORGE TUCKER, Esq.

LONDON:
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INTRODUCTORY REMARKS.

IMMEDIATELY on being made acquainted with the Plan of Finance adopted by the Honourable Court of Directors in June last, I prepared a Paper of remarks on the subject, partly for the purpose of satisfying the inquiries of different friends who were interested in the result, and partly in the hope that the Honourable Court might be induced to re-consider a measure, whose more remote consequences had not, I suspected, been foreseen or embraced in their full extent.

It became, subsequently, a question with me, whether I should make any public use of this paper; but not being able to satisfy myself that my interference would answer any useful purpose, I determined to stand aloof, and to remain a silent spectator of proceedings which it was not in my power to influence in any beneficial manner.

The intelligence lately received, of the Plan of Finance, published by the Supreme Government of

India, on the 1st May last, has recalled my attention to this question, and has given me a different feeling upon it ; for as the public creditors have now presented to them something like an alternative, it may be of use to put them in possession of all those circumstances which ought to be attended to in making their election.

In point of fact, too, the Honourable Court of Directors are called upon to deliberate anew upon a choice of measures, for there are at this moment two distinct plans, nearly contemporaneous, to which the different authorities abroad and at home stand pledged, and which cannot both, I presume, be carried into execution. I am quite aware that it is highly inconvenient for a government to retrace its steps, and that any thing like vacillation in the public councils is generally symptomatic of weakness ; but in this case something must be undone, and it may fairly, then, admit of question, whether it might not be less inconvenient at once to supersede both plans, if a substitute for them can be found of a less objectionable character. Such a substitute I have endeavoured to devise, and it is now my intention to submit it, with the utmost deference, to the consideration of the parties concerned.

The late advices from India would enable me to correct some errors in my statements, as well as to shape my predictions in a way to correspond more nearly with the event; but I think it both more candid and more prudent to allow these errors to appear, having no wish that greater weight should be given to my opinions and anticipations than they really deserve.

As a candidate for public favour, it is my interest, as it certainly is my wish, to conciliate the good will both of the Honourable Court of Directors and of their Indian creditors, who are in many instances proprietors of India stock; but it is at the same time my duty, (if I come forward at all,) to state what I believe to be the truth; and this I have endeavoured to do in the plainest and simplest manner.

I cannot persuade myself that any just exception can be taken to my engaging in a calm and fair discussion of a question of great public interest; and as I certainly feel great deference and respect for the high authorities whose measures I propose to canvass, my language will, I hope, be found to express this prevailing sentiment. To place myself in hostile array against that power, whose servant I have long been, would be as repugnant to my

inclinations, as it would be inconsistent with my sense of duty.

I have been induced to prefix to my remarks on the late financial proceedings, a brief summary of the advantages derived by Great Britain, from the possession of British India. This little dissertation was not absolutely necessary to the proper understanding of the argument which follows; but it appeared to me, that it would be a useful introduction to it. Many individuals in this country appear to doubt the value of India to Great Britain, and few seem to be aware of the full extent of the advantages which we enjoy from our territorial possessions in the East. The number of those who take an interest in the question is not, I fear, much more considerable at present; but there have of late been indications of an increasing interest, and if I can give the slightest impulse to this feeling, I shall congratulate myself on having performed a public service. In England, all the intelligent part of the community may be regarded as assisting in regulating the affairs of the country, by the influence which public opinion exercises over the proceedings of the government; but in the administration of India, public opinion has hitherto exerted little or no control. That country, under a singular

and anomalous system of government, has prospered, it is true, without this advantage. It has been governed, for the last fifty years, with extraordinary energy and wisdom, and with remarkable success ; but it owes more, perhaps, to the personal character of the illustrious statesmen to whom its destinies have been confided, than to the obvious workings of the machinery by which it is governed, or to any peculiar interest which the people of England have taken in its concerns.

I hope that it may rise hereafter in their estimation, and that it will command a degree of attention and consideration commensurate with its importance, both because it has just claims to the protection of the mother country, and because whatever tends to promote its well-being, must tend directly to promote the prosperity of the British Empire.

October, 1821.

REMARKS,

&c.

Brief Sketch of the value of British India to the Mother Country.

TO those who, like myself, have passed their lives in the service of India, any exposition from me of the value and importance of that populous and productive territory, would be altogether superfluous; but as a sense of its value may be felt by many, who have not had occasion to trace either the sources of its wealth, or the particular manner in which it contributes to the aggrandizement of the mother country, I propose to enumerate, in a very summary way, some of those advantages which Great Britain enjoys from her possessions in the East.

1st, The East India Company have, at different periods, drawn a surplus revenue from their territorial possessions to the extent of a million and a half sterling per annum, after paying the interest of the territorial debt; and this surplus was evidently a direct tribute from India to England. It does not exist, it is true, at the present moment, for the late augmentation of our military establish-

ments in India, the addition made within the last five years to the territorial debt, and other circumstances, which it is unnecessary for me to particularize, have caused it, for a time at least, to disappear ; but it did actually exist, to the extent of near a million and a half sterling per annum, at so late a period as the year 1813-14 ; and the large resources drawn from this valuable territory enabled the local government, in the years 1812 and 1813, to furnish large and most seasonable remittances of bullion to the mother country at a very critical period of the war. They were furnished at a time when the stock of the precious metals, in Great Britain, had been exhausted, and when the movement of our army in the Peninsula was understood to depend upon the early receipt of a supply of treasure, for the prosecution of objects of vital importance to this country, and to the civilized world.

I notice this instance of seasonable aid and co-operation, for the purpose of shewing that India has not only disposable resources, but that her treasures can, in particular cases, be applied to the service of the mother country with singular advantage.

2d, About four-fifths of the territorial debt being held by European British subjects, a large proportion of the annual interest, amounting, at present, to near two millions sterling, may be regarded as an *indirect* tribute paid by India to the mother country. The savings from income of the public servants, civil and military ; the profits of commerce,

as well as those drawn from manufactures (that of indigo, for example ;) the rents of houses, factories, and other buildings ; the earnings of shipping, and the produce of other capital ; as well as the savings from professional income (the law, &c.), and from the wages and gains of the seaman, the artisan, and others, *in all cases where the parties are European British subjects*, may be regarded as constituting an indirect tribute from India to England, which is paid by the surplus produce and manufactures of the former country. These annual savings are allowed sometimes to accumulate on the spot, in order that the parties may enjoy the benefit of a higher rate of interest, or that they may retain the property in their own hands during their residence abroad ; but the capital thus acquired constitutes a debt owing by India to England, and sooner or later this debt is discharged by remittances to the mother country.

I could only give a vague estimate of the amount of this *indirect*, or *private* tribute, which very much resembles the rents and profits drawn by British proprietors from the sugar-plantations in the West Indies ; but it is unquestionably considerable, and I am disposed to think that it cannot fall short of three millions sterling per annum at the present period.

3d, The shipping of India (that is, the India-built ships which are employed in carrying on the trade from port to port in the Eastern seas,) forms no inconsiderable portion of the whole tonnage of

Great Britain ; and this marine, which is constructed generally of teak, one of the most durable and valuable of timbers, is at all times available to the mother country, both for the purposes of war and commerce.

In illustration of the services which it is capable of performing, I shall only mention that the shipping of India has been employed, during a season of scarcity, in conveying to Great Britain large supplies of grain, which tended materially to alleviate the distress of her population ; and it is scarcely necessary to add that, in the natural course of events, its services may again be required to promote the same salutary end.

4th, The teak and other forests of India, must be considered of peculiar value to Great Britain, at a time when her own stock of native oak is found to be inadequate to the support of her extensive commercial and military marine, and when she is compelled to import timber for ship-building, from countries with which she has not always maintained a friendly intercourse. Ships of war have been built, and are now building, in India, for the service of the British navy, and it cannot be doubted that they will become a valuable acquisition to this branch of the national force.

5th, The produce of British India renders Great Britain independent of other countries, in a greater or less degree, in relation to the following important articles of supply, *viz.*,

Of Russia and the other states of the Baltic, as

well as of North America, both by possessing the materials for ship-building, and by growing hemp and other articles, used in the manufacture of cordage and canvass.

Of South America, the West Indies, the Molucca islands, and the tropical regions generally, by producing indigo, cotton, sugar, pepper, and other spices, drugs, dyeing woods, lac, gums, borax, and other articles used in our manufactures. Hides might also, perhaps, be added to the list.

Of France, Italy, and China, by furnishing raw silk for the supply of our manufactures.

Of all the world, by producing, in the greatest abundance, and at a very cheap rate, one of the most necessary articles in the munition of war, *saltpetre*; an article with which our enemies in the late war could not supply themselves except at a vast expense, nor indeed without calling in the extraordinary resources of science.

The cotton and opium of India, moreover, enable us to purchase from China, on advantageous terms, a large portion of the tea which is annually consumed in England, and which is become so essential to the comfort of our population, as well as so productive an article of revenue. In the same manner, with the produce of India, a great part of which is obtained absolutely *gratis* in the shape of public and private tribute, Great Britain is enabled to supply herself with the gold and silver of America, the wines of France and Portugal, and with whatever else nature has denied to her soil and

climate. Let it not be supposed that Great Britain, by holding factories, as heretofore, *by sufferance*, under the dominion of the native princes of India, could ever carry on the same commerce,—could ever maintain the same shipping,—or could ever have introduced such a manufacture as indigo, an article with which Bengal can now supply the whole world. Such a commerce could never have been generated, for the capital necessary to its establishment would never have been risked, while exposed to the arbitrary will and caprice of a despotic and ignorant government. The natives of India are entirely ignorant of political economy; and even if the human mind should hereafter make the same progress in Asia, which it has done in the countries of Europe, the true principles of commercial policy are among the latest acquisitions of science. At the present day, although sufficiently understood, they are not generally acted upon, even in those countries which have made the greatest advances in knowledge. But in India, the Mahomedan character itself is adverse to commerce; and although individuals of that religion do, no doubt, engage in trade, it can scarcely happen that commerce should flourish generally under a government, zealously attached to a religion, which prohibits the receipt of interest, or any direct consideration for the use of money.

From these simple premises, it may be inferred that the commerce which is now carried on in India, could never have been established without

the fostering care of a paternal and enlightened government, and that it could not be expected to prolong its existence for a single year, if that protection should unfortunately be withdrawn.

6th, The possession of British India enables Great Britain to facilitate the introduction of her manufactures into that country; and although the consumption has not hitherto been very considerable, it is gradually increasing, and I have no doubt that the exportation of woollens, hardware, glass, and other articles, will hereafter be greatly extended, as India advances in civilization and opulence. One extraordinary revolution in commerce has lately taken place. India, which heretofore supplied the rest of the world with cotton manufactures, is now receiving from Glasgow and Manchester, calicoes which have been wrought from the produce of her own soil! Such a trade could scarcely have had birth under the disadvantage of being exposed to the jealousy and prejudices of an ignorant and despotic government; nor can any branch of commerce be expected to flourish upon a large scale while it is liable to the capricious exactions of avarice, or while it is subject to that *uncertainty*, which must always exist where power is not under the control of reason and law.

7th, The possession of India furnishes a most convenient outlet for the present overflowings in one class at least of the community, for whom it is found difficult in all countries, and in none more than our own, to make a suitable provision.

During the late war, the class, constituting the gentry of this country, from various causes, was greatly enlarged ; and now that the army, the navy, the public offices, and the colonial establishments, have been so much reduced, it has become matter of extreme difficulty to provide for the numerous race of young men without fortune who have sprung up among us. The service of India alone opens a field in which they can be employed *largely* with the prospect of benefit to themselves and to their country ; and at the present moment it must be regarded as a singular advantage that Great Britain should possess the means of directing into a useful channel that intelligence and activity which might otherwise become the instruments of mischief. The country is now happily in a state of tranquillity ; but if there be any restless spirits in it, they are likely to be found among those who have had the advantage of education, without possessing the advantage of fortune, who having little to lose, or to fear, have every thing to hope from a change, which might call into action the talents with which they fancy themselves endowed.

It is unnecessary to enumerate the different ways in which the late war had the effect of elevating various classes to a superior rank in the order of society ; but it is quite clear, that this artificial prop being withdrawn, many must now fall back into their original stations, while it is equally certain that such a revulsion is calculated to produce private distress and public disorder. The Govern-

ment of this country have even judged it necessary to have recourse to a most cumbrous and expensive plan of colonization for relieving other classes of the community, by furnishing individuals with the means of removing to the Cape of Good Hope ; but those who, year after year, seek their fortunes in India, subject their country to no expense ; and many of them, after having honourably maintained the national character abroad, return, in the decline of life, to add to the stock of national wealth at home.

Lastly, If it be necessary to insist farther on the fact, that a fertile territory, containing a population of 80 or 100 millions of industrious subjects, and yielding an annual revenue of not less than twenty millions sterling, cannot well be destitute of value to its possessor, I would observe that the large military force maintained by the East India Company from their territorial resources, must, notwithstanding its remote situation, be admitted to constitute an important addition to the military strength of the nation. This will be sufficiently manifest when it is remembered that the native troops of India have been led to the banks of the Nile, against the most formidable of our European enemies, and that they assisted mainly in expelling the French, Dutch, and other European nations from all their possessions in the eastern hemisphere. This accession of military strength has tended unquestionably to raise Great Britain in the scale of nations, and to give her that rank and preponderance among the

states of Europe, to which she would seem not to be naturally entitled from the extent of her territory and population.

Enjoying the advantage of an insular situation—blessed with a free government—containing within herself a brave, enterprising, industrious, and intelligent race of men—abounding in machinery, and every description of capital—possessing one of the most valuable of the mineral productions, and conveniently placed for obtaining a large share of the fisheries and of the general commerce of the world; with these special advantages, Great Britain may long maintain (and long may she maintain!) her present ascendancy: but some of these advantages are of a perishable nature, and some of them may hereafter be enjoyed in an equal degree by other countries. And if, unfortunately, Great Britain should be deprived of her Indian possessions, and be reduced to her own naked resources, with an indifferent climate, a limited territory, and an overwhelming public debt, who can fail to perceive that this glorious empire, the admiration of past ages, the pillar and the future hope of the civilized world, will have passed the meridian of its splendour, and that Great Britain must then sink to a level with the neighbouring countries of Europe?

I shall not, however, enlarge at present on this topic—my chief motive for introducing it has been to shew, that India is of such value to Great Britain, that any important measure, affecting the state

of property in that country, ought not to be an object of indifference in this. It is not my intention to undertake any general review of our Indian policy in any of its branches, for, to such an undertaking I feel myself unequal ; my business is with a particular measure, emanating from that department of the service in which I have been principally employed.

The late change in the course of the trade, combined with other circumstances, has occasioned of late extraordinary difficulty in effecting remittances from India ; and as, by the conditions of the Indian debt, the East India Company incurred an obligation to furnish a remittance to the extent of the annual interest, amounting to near two millions sterling, it has happened that the public creditors, who heretofore received payment of a large proportion of this interest on the spot, now demand payment of the whole amount by bills on the London treasury.

Should the same causes continue to operate, an accumulation of funds must take place in the treasury abroad which is relieved from the demand, and a deficiency of assets must soon be experienced in the treasury at home, to which the payment has been thus transferred. The surplus funds of the one cannot be brought to relieve the wants of the other, for commodities cannot be found to give even a saving remittance at present, and bullion cannot be sent from India to this country without a heavy loss.

It very properly, therefore, became a question for the Honourable Court of Directors to consider, first, in what manner the funds accumulating in India could best be disposed of; and secondly, whether the Honourable Company could in any manner be relieved from the obligation to furnish a remittance, which must, for some time at least, be attended with a pecuniary sacrifice.

If the accumulation should be allowed to proceed in India, and the amount should be applied, from time to time, to the extinction of the territorial debt, it would soon be found necessary to borrow in this country to a corresponding amount, in order to replace the funds so appropriated abroad; and the operation, if continued, would terminate in the transfer of the territorial debt to England. To such a general substitution of European for Indian creditors, many obvious objections occurred.

The Honourable Court of Directors seem then to have arrived at this conclusion:—that, in order to relieve the Honourable Company from the burthen of the remittance, some alteration in the conditions of the public debt was become necessary; and that such a change might be effected by the application of the surplus funds in India to a compulsory operation of finance.

It was quite evident that their creditors would not *voluntarily* surrender their right to receive payment of their interest in England; and it was equally clear that no equivalent could be offered to

the *European* creditors, for the relinquishment of this valuable privilege, because its value was nearly the same to both parties; and to *purchase* it, the Honourable Court of Directors, must have offered a consideration which would have subjected the Honourable Company to the loss at present sustained, or apprehended, in another shape. The whole question, then, resolved itself into this:—Whether the Honourable Company, as the great organ of remittance from India, should continue to furnish a remittance to the extent of the interest of the territorial debt, at a certain loss (whether temporary or permanent we will not at present inquire), or whether an attempt should be made to throw the expense, either wholly or in part, upon the private capitalist.

Before I proceed to inquire into the merits and probable effects of the plans, by which it is proposed to relieve the Honourable Company from the burthen, it may be convenient that I should trace, in a cursory way, the alterations which have taken place, of late years, in the conditions of the Indian debt, and the situation of the public creditors.

In the year 1810; the register debt of India, amounting at the exchange of 2s. 6d. per Sicca rupee, to about *thirty millions sterling, bore inte-

* In the accounts published in England, the debt bearing interest on the 30th April, 1810, is stated at the sum of £27,789,609 sterling; the Indian coins being converted into English money, at the exchange of 2s. per current rupee; but had the debt been

rest, with a few inconsiderable exceptions, at the rate of 8 per cent per annum ; and the *principal* of this debt being transferable *at any time, on the requisition of the creditor*, by bills on England, at the established exchange of 2s. 6d. per Sicca rupee, the whole debt stood in reality in the shape of an optional bill of exchange, which was liable to be thrown on the home treasury for payment, at any period, at the pleasure of the public creditors.

Such a state of things was not only highly inconvenient, but it was quite incompatible with the security and *solvency of the home treasury ; and it was determined accordingly by the supreme government of India to new-model what is technically called the register debt, for the twofold purpose of reducing the charge of interest, and of withdrawing from the debt the condition under which it was liable to be transferred, at any time, for payment in England.

The first step taken with this view, was adopted in November, 1808, when the whole of the debt of 1800, amounting to above a million sterling, was advertised for payment in the month of May, 1810, upon a notice of eighteen months.

transferred to this country, it must have been paid at the exchange of 2s. 6d. per Sicca rupee: .

* Had circumstances occurred to cause the transfer of any considerable portion of the debt during the war, and especially at the particular period when the renewal of the charter was under consideration, the very existence of the Company might have been endangered.

This measure was followed up by other successive operations, until, on the 30th of June, 1811, the whole of the Bengal register debt was consolidated, and incorporated in a loan, the *principal* of which was made payable in Bengal only; and the annual interest, at the reduced rate of 6 per cent, either on the spot in cash, or (at the option of the creditors) by bills to be drawn on England, at the exchange of 2s. 6d. per Sicca rupee.

But, in 1812, the supreme government having occasion to open another loan, and it being judged expedient, for reasons which will hereafter be noticed, to hold out an inducement to individuals to subscribe, the *principal*, as well as the interest, was made payable, ultimately, either in cash in Bengal, or by bills on the Honourable Court of Directors at the same exchange of 2s. 6d. per Sicca rupee; and it being considered, at the same time, fair and equitable, as well as convenient, that all the public creditors should be placed as far as possible upon the same footing, and be admitted to enjoy the same advantages, the proprietors of the notes of the loan of June, 1811, were invited to transfer their securities to the new loan, and eighteen months were allowed them for that purpose.

It must be observed, however, that although by the conditions of this loan, an *ultimate* remittance for the *principal* was secured to the public creditor, *when the debt should actually be placed in course of payment*, the former privilege which he enjoyed of

demanding bills for the principal at any time, was not, of course, renewed.

About one moiety of the debt was accordingly transferred to the loan in question. The other moiety, amounting to Sicca rupees 13,96,00,000, or £stg. 17,450,000, remained, and still remains, upon the register of June, 1811.

From the distinction which I have shewn between these two portions of the debt, it will be apparent that the loan of June, 1811, can be paid off on the spot, by the application of the local resources of the Indian Government; and that the other moiety of the debt cannot be placed in course of payment, without giving the public creditor the option of receiving bills on England at 2s. 6d. per Sicca rupce,—an option of which he will unquestionably avail himself at a time when those bills are saleable in the market, at a premium of 15 or 20 per cent.

It is quite clear, that it could not possibly suit the convenience of the Honourable Company, to throw any part of the *principal* of their debt, for payment on the home treasury, at a time when they cannot effect remittances to provide for the payment even of the half-yearly instalments of *interest*; and it may be presumed, therefore, that no steps will be hazarded with a view to alter the condition of that part of the debt, for which bills on England may be demanded whenever it is placed in course of payment.

The Indian Governments have, at different times,

raised temporary loans, bearing different rates of interest, and payable at longer or shorter periods ; but my observations will apply exclusively to what is designated the “ Register Debt ;” and the only other circumstance relating to it, which it appears to me essential to mention, is that the Government are at liberty to pay it off, at any time, upon giving sixty days’ notice ; but that, when discharged, the notes standing upon this register, must be paid off in the order of their number and date.

*Remarks on the Financial Plan of the Honourable
Court of Directors.*

IN offering some observations on the measure of finance announced to the public by the Honourable Court of Directors, I think it proper to premise, that it never can be my intention to call in question the *right* of the Honourable Court to effect, by all fair and justifiable means, a reduction in the interest, or charge, of the Honourable Company's debt, whenever a favourable opportunity may present itself for effecting such a reduction. On the contrary, I hold it to be the bounden duty of the Honourable Court, to reduce this charge, whenever circumstances will admit of their doing so, on just and safe grounds ; for, intrusted as they are with the concerns of a great commercial body, employing a large capital, and burthened with an immense debt, they could not neglect any fair opportunity of relieving the Honourable Company from an unnecessary charge, without compromising a very sacred trust.

It may be stated broadly, as a general proposition, that it is both the interest and the duty of every government, to keep down as much as possible, the interest of money, for high interest operates as a very burthensome charge on agriculture, manufactures, and commerce, upon which the prosperity of

every country so much depends; and, in the instance of a government *debtor*, (and what government is at present free from debt?) there is an additional and a peculiar obligation on the part of those who administer its affairs, to reduce the charge of interest whenever this can be done with perfect good faith towards the public creditors.

The creditors of the Honourable Company have, I am aware, appeared to entertain expectations not at all reconcileable with this view of the duty imposed upon the government. They seem to have adopted an opinion that the rates of interest in India were not liable, or not likely to undergo any material alteration; and that in retiring from the service, they had just grounds to expect that the income drawn by them from the public debt, would be enjoyed by them permanently. That this notion has in many instances been entertained and confidently acted upon, there cannot be a doubt; but I never could perceive any reasonable foundation for it, and it is matter of regret that it should ever have had place. The government never did give any pledge to their creditors, or servants, that any given rate of interest would be continued to them as a perpetuity,—they had not the power to give such a pledge; nor were their proceedings calculated, in my opinion, to encourage the expectation that the high rates of interest formerly allowed in the infancy of public credit, were likely to become fixed and permanent. So far from this, the measures successively adopted by

the supreme government from the year 1801, all tended to shew that a reduction of interest, by progressive steps, was contemplated ; and I cannot call to mind a single act or declaration of the government, from which an inference could fairly be drawn that the rate of interest on the register debt of India would not be subject to future alteration. The government could not, from motives of consideration towards its servants, or otherwise, pledge itself and its successors to continue, in perpetuity, a rate of interest exceeding that at which money might, at a subsequent period, be procurable from other quarters ; and, at all events, no inference of the kind could be deduced, except under some express condition of the engagement.

I am at the same time of opinion that it can never be wise or proper to tamper continually with the public debt, for perpetual changes not only expose the public creditors to inconvenience and injury, but they tend to destroy confidence, and in the end are likely to prove injurious to the government itself. But injudicious as it certainly is to tamper habitually with the interests of the community, it is equally true that a government would not be justified in making gratuitous sacrifices in its pecuniary transactions with individuals ; nor can its creditors, or others, reasonably expect a degree of liberality which they never practise in their dealings with the government. When money bore a higher value in the market, was the

Indian capitalist content to receive only eight per cent.? Did the government ever call for loans, and did their creditors ever tender loans, involving pecuniary concessions on the part of the latter? Were not the Indian governments, even at so late a period as the year 1800, compelled to grant to the private capitalist an interest of 12 per cent. per annum? that is,—the very utmost rate which the law recognised. In fact, in all money transactions, both governments and individuals deal together on commercial principles; they consult, respectively, their own interests; and even if both parties were so disposed to act, it is not easy to perceive how they could treat upon the footing of reciprocating benefits.

Upon the same grounds on which the Honourable Court of Directors must be admitted to have a clear right to reduce, if practicable, the interest of the Company's debt, their right to relieve the Honourable Company from the expense of effecting remittances to this country from India must be acknowledged. The debt of India is a territorial debt, the interest of which can be paid only from the territorial revenues; and whatever reason the public may have had to expect that the East India Company should afford every practicable means of remittance at a time when they enjoyed the exclusive trade with India, this obligation, qualified as it was originally from its very nature, may be considered as essentially changed, or at least weakened, now that the wisdom of the legislature has

decided that this commerce shall be free and open to all British subjects. I say *weakened*, because the China monopoly is still retained by the Company, and this trade furnishes indirectly a very extensive remittance from India.

But recognising as I do, in its fullest extent, the right of the Honourable Court of Directors to relieve the Honourable Company from every unnecessary charge, the measures pursued for the purpose may still be liable to serious objections, if they be ill-timed, or immoderately severe and partial in their operation, or unnecessarily vexatious ; or if they should be of a nature to produce alarm and uneasiness, without being calculated to accomplish the end proposed.

I shall now proceed to examine how far the plan of finance, lately promulgated by the Honourable Court, may be found liable to any of these objections ; and, in submitting the preliminary remarks which I have offered, perhaps at unnecessary length, I have been anxious, not only to prevent misconstruction, but also to avoid the appearance of supporting opinions inconsistent with those which I have maintained on other occasions.

The first and most obvious objection to the plan is, that, in as far as it may succeed, it must operate with extreme severity ; for the reduction of the exchange from 2s. 6d. to 2s. the sicca rupee, being precisely the same as a reduction of interest in the case of those persons who require their funds in this country, the public creditors so circumstanced

will find their incomes suddenly diminished in the proportion of one-fifth. This reduction of the exchange, in addition to the reduction of interest to which the public creditors were subjected in 1811, will, in the course of only ten years, have diminished their incomes in the proportion of four-tenths ; so that an individual, who, in 1810, enjoyed an income of 1,000*l.* per annum, will now be left with an income of 600*l.* per annum only.

So great a change in the situation of the public creditor must obviously be felt very severely ; but the severity of the measure is perhaps aggravated, and the objection to it is certainly increased, by the circumstance that its operation is *partial*, and that it affects principally those who are likely to suffer most from a diminution of income. The objects to whom the measure will chiefly apply, are the European creditors, and a particular class of those creditors, the retired servants and others in this country, who have the misfortune to hold notes of the loan of the 30th June 1811. It may be said that the proprietors of these securities were allowed the option of transferring them to the loan opened in 1812, the principal of which is ultimately remittable to England, and that if they did not think proper to avail themselves of the boon which was tendered to them, they will suffer from the consequences of their own act, or their own neglect. This is true : but some of these persons omitted to make the transfer from absence, or from ignorance ; some from an unwillingness to incur further

expense, after having so recently been exposed to a heavy charge for agency; and some, perhaps, on the faith of a resolution passed by the Honourable Court of Directors, on the 19th July 1811, and renewed on the 8th July 1812, to which I shall advert more particularly hereafter. In either of these cases, their situation is one of great hardship, which claims indulgent consideration; and we cannot be surprised that they should see with irritated feelings their incomes suddenly and unexpectedly reduced one-fifth, while those who were prudent and provident enough to transfer their notes to the loan of 1812, find themselves in the full enjoyment of their income, and perfectly secure against every attempt to alter the conditions of the loans in which their property is invested. Now, however severely the reduction of interest in 1810 may have been felt, the measure was *general*, and applied equally to the whole body of the public creditors. The Government dealt out the same measure to all; and, indeed, it has been always an object with the Government of India to place the public creditors, as far as possible, on a footing of perfect equality.

But without insisting further on those objections to the measure, which are founded on its severe and unequal pressure, I shall proceed to state objections of a different character, having reference chiefly to considerations of policy and expediency.

It appears to me, then, that the plan, although obviously calculated to produce much uneasiness

and alarm among the public creditors, cannot be expected to succeed to any useful extent; and that, if no worse consequences result, the attempt must be attended at least with an unprofitable waste of time—that if, contrary to expectation, a six per cent. loan, yielding a remittance of only 2s. per sicca rupee, could, under particular circumstances, be forced upon the public, it would not be practicable to sustain the credit of such a loan; and that its introduction would be liable to produce future derangement of the finances—that, admitting the necessity for prompt and efficacious measures, in order to relieve the Honourable Company from a situation of great embarrassment, it may still be possible to remedy, or to mitigate, the evil, by arrangements of a totally different character—that the evil contains within itself a correcting principle, which must operate gradually in removing it, if no injudicious steps be taken which may counteract this operation—that any violent attempt to deprive the public creditors of the advantage which they at present enjoy from the terms of the remittance, may, by impressing more strongly upon their attention the value of the object, engage them to adopt measures in concert for the purpose of defeating, if possible, such an attempt—that, if those arrangements, which might long since have been undertaken, for the purpose of obviating the present difficulties, should still be judged inexpedient or impracticable, and the Honourable Court should deem it necessary to persevere in their endeavours to new-model the

Indian debt, with a view to relieve the Honourable Company from the burthen of the remittance, a plan of a milder character may be found ; and that the substitute which I shall venture to offer, although not free from objections, would operate less injuriously towards the public creditors, and would be more likely to succeed in accomplishing the object of the Honourable Court (as far as that object is at present attainable), than the plan which has been announced to the public.

I do not intend to discuss these propositions separately, and in the order in which they are advanced ; but the following observations will, I hope, establish a general presumption in their favour.

The plan of the Honourable Court is not likely, in my opinion, to succeed to any useful extent, because the power which the Government of India will command, is not likely to be commensurate with the force of resistance. It cannot be doubted but the resistance will be great, when it is proposed to reduce the income of the public creditor in the proportion of one-fifth ; and what is the power, which the Government have at their disposal, to overcome this resistance*. Have they any surplus revenue in India at present ? No—there has been a deficit for several years, instead of the large surplus which

* I find that I have over-estimated this resistance, as will be seen in the sequel. I also understand that the late advices from Bengal give reason to expect that a surplus of between a million and a million and a half sterling, will be realized in India in 1820-1.

we enjoyed in 1810, and to so late a period as 1813-14. Have they the large stock of specie which we possessed in 1810? I believe not.—Does the Company's trade yield a large profit applicable to the extinction of debt, or to the purposes of a great financial operation? I doubt whether this profit will found be sufficient to defray the deficit in the territorial revenue. What, then, are the resources of the Indian Government? They result simply from the payment of the interest on the territorial debt being transferred from the Calcutta to the London treasury. But how is the payment of this interest at the London treasury to be provided for?—Undoubtedly, by bringing home from India, in goods or in bullion, that portion of the territorial revenue which is applicable to the payment of interest. It appears, then, that this fund constitutes no permanent or legitimate resource to the Indian treasury—that it is borrowed only from the London treasury for a short time; and it has, indeed, been rumoured, that orders have already been sent out to India, requiring that this reserved fund should be remitted, even if it should be found necessary to make the remittance in specie or bullion, which must be attended with a sacrifice of at least 20 per cent. Here, then, we are removing the very power which was intended to overcome a vast resistance.

But I will suppose that the Bengal Government have a disposable fund of a crore of rupees, applicable exclusively to the purposes of a great finan-

cial operation ; and from all I can learn with regard to the state of their resources, I am persuaded that this is as large a sum as can be taken from their cash balance for such a purpose.

Let it be assumed that they advertise for payment notes of the loan of June 1811 to this amount, giving sixty days previous notice ; for they cannot venture, I think, to advertise a single note beyond their actual means of payment, upon any expectation that transfers will be made to the new loan, and that payment will not consequently be demanded in cash. The public creditors, rather than accept an alternative highly disadvantageous, will wait to the last moment, even if they determine to transfer at all—the state of the public treasury may always be known, if great precautions be not observed to preserve secrecy, and the officers of finance cannot, therefore, venture to hurry on the proposed operation, without incurring the risk of having the public treasury rendered bankrupt, an event which would not merely occasion the failure of the whole project, but which must be followed by a state of utter confusion in the finances of India.

Assuming, however, contrary to my own expectation, that the whole sum of a crore of rupees is transferred to the new loan at the expiration of the two months, and is again applicable to the same purpose, it will be necessary to give the same notice of two months before the second crore can be placed in course of payment, and so on successively

until the whole debt of 1811 shall have been advertised; but this process will occupy a period of more than two years, even if the operation should meet with no interruption.

As, however, the Honourable Court of Directors, from motives of consideration towards *absentees*, have been pleased to grant them a notice of *fifteen months* before they are called upon to make their election, this period must elapse before the operation can even be *commenced*, in the event of a single absentee standing at or near the head of the general register of 1811. I do not hazard this assertion without mature consideration.

The conditions of all the loans are, that the *notes shall be paid off in the order of number and date*, and C. cannot be placed in course of payment while a reservation is made in favour of A. or B. It may sometimes be advantageous to be first paid off, and at other times it may be of advantage to the creditor to have the payment of his debt deferred; but the Government have pledged themselves not to exercise any discretion with regard to the earlier or later payment of particular creditors. The qualifying or explanatory clauses inserted of late years in the advertisements, which contain the conditions of the public loans, tend only to confirm this long-established rule; and although I cannot be considered competent to determine the *legal* construction to be given to these clauses, I know the understanding in which the engagement was contracted, and the practice which has prevailed un-

der it. I also know the origin of the modifying or excepting clauses, for the plans of the later loans were in reality drawn up by me, with the professional advice and assistance of the Honourable Company's law officers.

The Government can certainly advertise—say, a crore of rupees, for payment at once, and it matters not in what order the notes composing this sum may actually be discharged; but they cannot make a reserve of a part of the amount, and allow the proprietors to continue to receive interest for fifteen months as a special indulgence, for this would be a preference inconsistent with the conditions of the loan, and the money thus retained might, and probably *would*, be applied to the payment of other creditors standing still lower on the Register, to their disadvantage, and to the manifest subversion of the order of payment established by the express conditions of the Register debt—the preference shewn in this case to one creditor, would thus furnish the means of coercing another,

The clause in the advertisement upon which the Honourable Court probably rely, means no more than this: If a creditor whose notes have been advertised, *omit* to receive payment, the government shall be at liberty to proceed on to the payment of other notes standing lower on the register; but in this case the notes so advertised constitute a demand over-due, for the payment of which funds must actually be reserved; they cease

to bear interest ; they are virtually cancelled, and excluded from the register ; and they do not, therefore, oppose any bar precluding the payment of other creditors ; nor could the funds so reserved be applied to the purpose of coercing other creditors. This case of passing by a creditor who *omits* to take payment, is totally different from that in which an absentee is *actually favoured and preferred, to the injury of another party*. In short, if the rule, (hitherto considered a fundamental one), which establishes the order of payment according to number and date, do not exclude all favour and preference, and can be dispensed with at the discretion of one party, it affords no sort of security to the public creditor, and it is absolutely worth nothing.

I have dwelt upon this point more than will perhaps appear to have been necessary ; but it is one of some importance, for if the government of India proceed to pay off any of the public creditors, standing below the absentees who are to be allowed a notice of fifteen months, it is unquestionable that these creditors may legally refuse to take payment, and that the operation must either be suspended, or the Honourable Company be involved in numerous law-suits*. The public creditors perfectly understand their rights, and we have seen instances of their having commenced

* The government of India have avoided the difficulty, as will be seen in the sequel.

prosecutions against the government upon a much slighter foundation.

If my interpretation of the conditions of the public loans be correct, it follows that fifteen months must elapse before the *first step* can be taken, and that it will require between three and four years to withdraw the privilege of remittance from the loan of June 1811, which constitutes not much more than one half of the Bengal register debt. The relief, therefore, to the home treasury must necessarily be tardy and insufficient under the most favourable circumstances; but if the resolution of the Honourable Court of Directors of the 8th July 1812*, which grants to absentees the

* The following is a copy of this resolution, and it cannot, I conceive, admit of a doubt that the parties to whom it applies, may claim the benefit of it; for relying upon this pledge, some of the public creditors may actually have thought it unnecessary to avail themselves of the option granted them by the government of India in 1812, to transfer their notes to a remittable loan: “ That all persons of the description above stated, with the exception of such as shall be hereafter noticed, who may have transferred their obligations from the eight per cent. loan to the six per cent. loan, and who may be, at the time of the receipt of these orders, in possession of the new obligations, be entitled to the terms granted in our resolution of the 19th July 1811, namely, That the holders of any part of the late optional loans, whose agents shall have subscribed the same to the new loans raised in India, (under a guarantee in case the said subscriptions should be disavowed by their principals in Europe), shall be entitled to continue the same in the loans to which they may have been transferred, subject to the following condition, viz. That whenever the said loans shall be discharged,

option of receiving payment of their principal in England, whenever their notes shall be discharged, should still be considered in force, it will happen that, in the course of relieving the Honourable Company from the burthen of remitting the annual *interest*, a part of the *principal* of the debt will be thrown upon the home treasury.

Again, let us suppose that some sinister event occur during the progress of an operation which is to occupy three or four years,—that war should intervene,—that commercial failures should take place,—or that commerce should draw capital out of the political channel, the whole plan must be suspended, or would be liable to be entirely defeated.

I have assumed that the crore of rupees advertised from time to time for payment, will regularly return to the public treasury; but this, in my opinion, is by no means certain. Even if the government of India should be able to appropriate a still larger sum to the payment of debt, it will, I suspect, be absorbed in circulation without coming back to their treasury, My reasons are these :—

The private agents, the indigo manufacturers, and others, are supplied periodically with the funds

“ the holders of them shall be permitted either to receive the
 “ principal of them in India, or by a bill upon the Court of
 “ Directors, payable eighteen months after date, at the exchange
 “ of two shillings and sixpence per sicca rupee.”

required for their several occasions, chiefly by means of the importations of bullion which were received from Europe and America, and by the issue of interest which took place every six months from the public treasury; but these importations must necessarily cease, and the half-yearly interest being now paid by bills on England, instead of being issued, as heretofore, in cash, these two main sources of supply will have been cut off, and the agents and others will, probably, in a short time, find it convenient to receive and apply to the purposes of their commercial correspondents, a large proportion of any sums which may be issued from the public treasury in payment of debt.

Moreover, the great native capitalists, some of whom stand, I believe, at the head of the register of June, 1811, being now fully apprized of the value of the remittance clause, are likely enough to combine for the purpose of resisting any attempt to withdraw it; and if they do so combine, they will have it in their power to defeat the projected measure at any time.

They have lately been selling their interest bills at a premium of from 12 to 15 per cent., and it is quite certain, that they are at length fully sensible of the advantage which they enjoy from the remittance, and that they will not readily surrender it, without an equivalent. It may appear extraordinary that they, or any persons on the spot, should have continued their capital in the loan of June, 1811; but the fact is, that, not being aware of the

importance of securing a remittance for the principal, and the 6 per cents being at a *discount* when the transfer loan was opened in 1812, they seem to have considered it an advantage to have their notes as high as possible on the register, with a view to an earlier payment. I cannot otherwise account for their not having more generally accepted what was intended to be, and what has since proved to be, a most important boon to the public creditor. It is singular, too, that although they have lately derived so great a profit from the sale of their interest bills, neither they nor the European capitalists seem yet to have appreciated justly the advantage of securing an ultimate remittance for the *principal* of the debt, little difference being made between the saleable value of the notes of 1811, and those of a later date, in which this advantage is secured to the creditor.

The project of the Honourable Court of Directors will, no doubt, soon establish a marked distinction ; and, as soon as the plan is known in India, a difference of not less than from 5 to 10 per cent., will immediately take place in the selling prices of the two descriptions of paper.

To return : the native capitalists, and others, have only to receive payment of the notes first advertised, and the operation must stop, and be abandoned.

Nor will the opulent natives be much distressed or inconvenienced by having their capital thrown upon their hands ; they are in the habit of retaining

large sums in an unproductive state, with a view even to distant objects, and they seldom find a difficulty (I allude chiefly to the native bankers and brokers) in lending their money on advantageous terms, to the landholders, the salt and grain merchants, the purchasers of opium at the public sales, and others. Indeed, if the government, or individuals, continue to export specie for two or three years, as the only means of remittance to this country, that essential article will soon disappear on a scarcity of it will soon be experienced; and the landholders and others will then have frequent occasion to borrow, and will be compelled to borrow on higher terms. The rates of interest on private loans generally will rise in the same manner, and from the same cause; and ultimately, the interest, or what amounts to nearly the same thing, the saleable value of the public debt, will be affected.

One consequence of the present state of things will be, that an exportation of specie from India must take place for some time, and its scarcity must have a tendency to lower prices, and may ultimately create a difficulty in realizing the public revenue.

Still, the evil will have within itself a correcting principle, for low *prices, low interest, and a low

* The price of indigo, and some other articles, will rise at first, from the eagerness to obtain remittances, and the manufacture will probably be extended; but this extension may be expected to lower

exchange, will all operate to encourage exportation, and to restore the commercial equilibrium.

I have said low interest and a low exchange ; but I do not expect either the one or the other to be of long duration. The agents and others, as I have already explained, may soon be expected to experience a scarcity of money, in consequence of the accustomed supply being cut off, or diverted ; and they will then find it convenient to receive payment of the * interest of the public debt, as heretofore, in *cash*, on the spot, holding the money at interest, or granting their own bills to their correspondents, on consignments made by them to this country. In this case, the rate of interest to be allowed, or the rate of exchange to be granted to their correspondents, cannot be lower, and will in general be something higher, than the company's rates, for these have hitherto furnished a sort of standard for regulating the money transactions of individuals.

the price in the market of consumption, and in that case, a re-action must soon take place in the foreign market.

* A portion of this interest is not expended, but forms a growing capital : when it is not wanted for political purposes (that is, when the government do not borrow), it flows into commercial channels. It is always of great importance to trace the progress of this growing capital, and I believe a large accumulation has taken place lately in India, notwithstanding the government borrowed a considerable sum in the last year. To this accumulation they will be chiefly indebted for the success of their plan of finance, if it should succeed : commerce has, in fact, been throwing out capital for some time past, instead of giving employment to new capital.

The engagement usually made by the agents with their absent correspondents, has been, to allow the exchange of 2s. 6d. per Sicca rupee, *at the least*, when they found it convenient to receive payment of the interest of the public securities in cash, on the spot; and it appears to me highly probable that they will, at no distant period, recur to some such arrangement, which would have the effect of re-establishing the rate of exchange so long familiar to us*.

It is quite illusory to imagine that the clause in the new loan, which secures the creditor against payment for the term of ten years, will recommend it to the public. *Time* is of value when it secures a valuable possession; but it is of no value or account as securing an object which is worthless, or which is one of indifference. I must contend, that a 6 per cent. loan, divested of the privilege of remittance, or with the exchange reduced to 2s. the Sicca rupee, is not a thing estimable and desirable in itself; for, as far as the European creditor is in question (and the Europeans hold four-fifths of the debt), it is in reality a loan, yielding an interest of only 4, 8-per cent. per annum; and even this low rate of interest is, subject to some deduction on

* If the Company withdraw altogether from the remittance, this result may not take place, at least, not to the full extent of restoring to the public creditor the exchange of 2s. 6d. The question will be adverted to, when I come to the examination of the plan of the Bengal government.

account of the charges of agency, while the non-resident creditor is liable to the further disadvantage of having his property removed from his own control and management, and of being occasionally disappointed in the receipt of his periodical remittances.

The clause in the loan of 1798-1799, which guaranteed an interest of 10 per cent. per annum to the subscriber for *ten years*, was of real value, because this rate was above the natural and ordinary level, and the longer the term during which such an interest was secured to the creditor, the more valuable the loan. The decennial loan accordingly bore a high premium almost immediately after it was closed, and this enhanced value decreased only as the period of payment approached; but the speculative liberality which would secure to the Indian creditor for a term of years, a rate of interest below that which may sometimes be obtained in this country, and which may at all times be procured in different parts of Europe, is not likely to be hailed with extraordinary gratulation.

In point of fact, the clause which guarantees the non-payment of the new loan for a period of ten years, is altogether a nullity, for this loan must be placed on the general register, *after the remittable loans*, and this is quite a sufficient security against early payment, if the creditor attached any value to the circumstance.

The rate of interest, or the price paid for the use of money, is determined and regulated by a great

variety of considerations ; by the degree of comparative security, conveniency, and facility, in realizing the capital ; by the habits of the community, as tending to accumulate, or to dissipate, capital ; by the state of commerce, as calling for new capital, or otherwise ; by the financial and political situation of the country ; and by the value which money may bear at the time in neighbouring states, whose financial situation is such as to entitle them to nearly the same degree of confidence. And the financier who proceeds, without paying strict and minute attention to all these circumstances, will find that he has built without a foundation.

I am aware that there can be no fixed rate of interest, and I have maintained elsewhere that, under certain given circumstances, interest may be reduced to a *negative quantity*, representing the expense and risk attending the custody of money ; but while an interest of between 4 and 5 per cent. per annum may be obtained in this country, and an interest of about 6 per cent. may be obtained from the governments of France, Prussia, and other Continental States, any attempt to reduce the rate of Indian interest much below 6 per cent., must, in my opinion, inevitably fail.

It is true that circumstances would, at the present moment, favour such an attempt, the public creditor being in some measure at the mercy of the government ; but let not temporary circumstances, or temporary appearances, lead us to disregard

those facts and principles which have a more permanent influence and operation.

The Court of Directors, under a very peculiar state of things, may perhaps succeed in forcing upon their creditors a loan, containing very disadvantageous conditions; but what will be the consequence? Upon the very first shock that the credit of their securities may receive, this loan will find its real value, and I shall not at all be surprised to hear of its falling to a discount of 20 or 30 per cent., to the great injury of their creditors, and to the ruin of public credit. I have the authority of experience to justify this speculation.

During the administration of Lord Cornwallis, an attempt was made, prematurely, to reduce the rate of interest to 6 per cent.; but in a very short time after the experiment was made, the government notes, which had been issued at this rate, bore a discount of above 30 per cent.: and the attempt was of course abandoned. The loan projected by the Honourable Court will be liable, I fear, to experience a similar fate; and if it should be completely discredited, on what terms can they reasonably expect to raise money in India, if funds should hereafter be required, either for political or commercial purposes? Will they not be compelled, in any new loan, to restore the remittance, which it is now proposed to withdraw? Yes, and to superadd, perhaps, other most onerous conditions. It is no extravagant speculation to predict that, if public

credit be once subverted, or seriously shaken in India, the rates of interest will again rise to their former scale of 8, 10, and even 12 per cent. per annum.

It may be asked, then, how the Government of India ventured in 1810 to reduce the interest of the public debt from 8 to 6 per cent. This operation was not undertaken without long and mature deliberation, nor without reference to all those circumstances which contribute to regulate the value of money: and the examination having satisfied the government that 8 per cent was above the natural level, it became their duty to take measures for effecting a reduction in that rate. They were not only bound to do so, as the guardians of the Honourable Company's interests, but it was incumbent upon them to effect the reduction, if possible, in order to relieve the general commerce of the country from a heavy and unnecessary charge.

The experiment was not a hasty one, and the experience of ten years has now shewn that the Government proceeded upon a solid foundation.

But so early as 1812, the new six per cents began to vacillate. The notes bore a discount (if I recollect) of about 9 per cent., and were not easily negotiable in the market:—the public had not, in fact, acquired perfect confidence in the stability of this loan, and the merchants and houses of business in Calcutta, were reduced to such a state of pecuniary distress, that the most serious consequences were apprehended. The Government, however, came

forward, and afforded timely advances of money to the houses of business ; and by inserting in the transfer loan of 1812 the remittance clause, which secured to the public creditor a determinate value in England, as well as in India, they succeeded in giving to the 6 per cent. debt a steadiness and a degree of credit which it has preserved ever since.

There were other reasons at the time for superadding this condition, so highly beneficial to the creditor.—It was desirable to call in the Bombay 8 per cent. debt, and to obtain the command of large funds for remittances to England, at a time when a supply of the precious metals was urgently required for great national objects.

The boon * thus gratuitously bestowed upon the public creditors, will, no doubt, place some of them beyond the reach of the financial operation projected by the Honourable Court ; but I cannot regret that this protection has been given to them, and I only regret that the great body of the European creditors did not avail themselves of the benefit. They all, however, had the option of transferring their notes to the loan opened in 1812 ; and they cannot, therefore, accuse the Government of any partial proceeding towards them.

* As the Honourable Court of Directors, by their resolutions of the 5th July 1812, granted to absentees the same indulgence which the Government of India judged it advisable to tender to *the whole body of their creditors*, it may be presumed that the Honourable Court at that time felt satisfied with the justice and expediency of the measure.

Much of what I have urged will appear to be a digression from my subject ; but I wished to shew, by a reference to past events, that an attempt to force down the rate of interest may be attended with most serious consequences. I am aware, at the same time, that a reduction of interest is not the precise object which the Honourable Court of Directors aim at, although to the European creditor this effect will certainly be produced. They are anxious, and with reason anxious, to exonerate the Honourable Company from the burthen of effecting remittances from India in the present state of the trade with that country ; and it is now my purpose to inquire whether the safest and best course has been pursued for that purpose.

India pays, or ought to pay, a public tribute, and it incurs annually a private debt, originating in the fortunes acquired in that country by British subjects and other Europeans, to a large amount. The nature of this private debt I have already explained, and I have ventured to estimate its present amount at about three millions sterling per annum. Now, it is evident that this public tribute and private debt can be paid only by means of the produce and manufactures of India ; and if Great Britain, and the rest of the world, will not receive and consume that produce and those manufactures, India must, during the period of their rejection at least, be reduced to a situation of great difficulty and distress—she must part with a portion of her stock of the precious metals, and a forced exporta-

tion of commodities must take place, even when attended with certain loss. A singular revolution has lately taken place in the trade of India. Cotton piece-goods, or calicoes, were heretofore the great staple commodity of that country; but in consequence of the improved machinery which English ingenuity has of late years introduced, the manufacturers of Glasgow and Manchester can supply India with muslins* at a cheaper rate than they can be made on the spot where this beautiful fabric was originally established; and India now imports cotton piece-goods, manufactured from the produce of its own soil, instead of supplying England and the rest of the world with this important article of commerce.

In consequence of this and other circumstances, the Court of Directors have found it impracticable to furnish remittances from India without subjecting the Honourable Company to a commercial loss; and as, by the conditions of the Indian loans, they are under an obligation to supply a remittance to their creditors to the extent of the interest of the territorial debt, they are naturally solicitous to relieve the Company from this burthensome engagement. But is this state of things likely to become *permanent*? and, if it bear not a character of per-

* The exportation of calicoes last year, I understand, amounted to 300,000*l*. The Indian, on seeing this commodity appear from the West, might well feel the surprise expressed in the line, which Marquis Wellesley applied so happily to the re-appearance of the lights of knowledge in the East.

manency, is it necessary, and is it wise, to engage in a hazardous undertaking in order to escape from a temporary evil? If it be *permanent*, I have no hesitation in saying that India must henceforth be regarded as a bankrupt country; and that, in the course of a very few years, it will be found impossible to realize the present territorial revenue. It may continue to export specie and bullion for two or three years; but we cannot substitute generally a paper currency in a country where the pecuniary transactions of the people resolve into the most minute fractions*; and as soon as a scarcity of the precious metals is felt, the *unsettled* revenue (the salt, the opium, the customs, and a part of the land revenue), will undoubtedly be affected, and even the land revenue, which is better secured in the Bengal provinces, under the permanent settlement, will not be collected without extreme difficulty. The Zemindars experiencing, as they will do, a scarcity of silver, will be compelled to give for it a larger portion of their raw produce (sugar, cotton, &c. &c.,) and they will have in this case

* The revenue of the district of Sylhet amounts to Rs. 200,000, and the settlement was made with 22,000 persons. This number is now greatly increased by the subdivision of estates, and the revenue is payable by monthly instalments. How, it may be asked, can such minute payments be effected? By means of *shells*. I mention the circumstance to shew that it is quite impossible to introduce a paper currency *generally* in India. In Calcutta it has succeeded well.

less to give in the shape of revenue contributions to the Government.

In this instance, too, we perceive a tendency in the present state of things to operate a change in itself,—*prices must fall*; and cheapness being the foundation of foreign exportation, a powerful stimulus will be given to the exportation of commodities from India.

Moreover, by reason of the alteration which has lately taken place in the exchange of bills drawn from India, the exporting merchant is unexpectedly relieved from a charge of about 20 per cent.

Heretofore the manufacturer of indigo and others were obliged to pay in England from 2s. 7d. to 2s. 9d. to replace the rupee in India; they can now draw it back by paying only 2s. 2d. or 2s. 2½d. the exchange being reduced nearly to the bullion value of the coins interchanged; and they are in consequence not only relieved from a direct charge of about 20 per cent. on their export trade, but they indirectly effect a further saving in the charges of insurance, interest, agency, &c.

Here, again, we perceive another strong stimulus to exportation, and a tendency in the very evil complained of to work its own cure.

But who has yet ascertained that India is actually in the bankrupt state supposed? Who has yet inquired whether, upon its *whole commerce with the rest of the world*, it may not possess the means of paying its debt to England? The question was

proposed twelve years ago by the supreme government of India* ; but I am not aware that any steps have yet been taken with a view to resolve it. Do we know whether, at this moment, the Americans, the Danes, the Dutch, the Portuguese, and others, may not be sending bullion to India to purchase the produce and manufactures of that country, when, by means of a very simple arrangement, this bullion might be obtained by England in satisfaction of its demands upon India, not only without loss, but with a profit on the exchange? We do positively know from the most authentic documents †, that bullion is exported to *China* by the Americans to a large amount, and I think it not at all improbable that this identical bullion may

* See their Financial Despatch of the 23d August 1809, in which the present state of things is anticipated with great exactness.

† I have a paper before me, which I believe to be perfectly authentic, exhibiting the following statement of the exportation of bullion to China by the Americans in the two last years, viz.

In 1818-19,	-	-	-	Dollars 74,44,000
1819-20,	-	-	•	62,97,000

The report of the Select Committee of the House of Lords contains a great deal of valuable information on the subject of the American trade with China; and it is stated by a most intelligent witness, who was examined by the Committee, that a part of the bullion sent to China by the Americans, was actually exported *from the ports of London and Liverpool*. “These Spanish dollars are generally obtained with British manufactures on the west coast of America, and even in the ports of London and Liverpool.”

See Evidence of Mr. Crawford, p. 26.

ultimately find its way to England by the circuitous route of India, (a case which has been known to occur), after subjecting the different parties concerned to a heavy and an unnecessary expense.

After having witnessed, as we have done, the establishment of such a manufacture as *indigo*, which supplies a remittance to the mother country, of near a million and a half sterling* per annum, who will venture to pronounce that the resources of India have been exhausted, and that it can no longer afford a tribute, or discharge its private debt? This valuable manufacture was unknown in Bengal forty years ago, and it would have been regarded as perfectly extravagant to have predicted, at that period, its present extension. Would it be more extraordinary, if our Bengal provinces, whose productive powers are so well known, should hereafter supply all Europe with cotton, sugar, tobacco, and other articles, which it receives at present from the Trans-atlantic States?

Now I do submit that, before any sweeping measure can with justice or propriety be undertaken, the effect of which is to strike off, at one blow, one-fifth of the capital or income of a large body of individuals, it should be made clearly to

* The gross sales of indigo have in particular years (in 1816, for instance,) exceeded this sum; but some deduction should be made for charges (freight, &c.) which do not realize a remittance. I have not thought it of importance, in a discussion of this kind, to enter into details, or I should insert a statement of the annual sales for some years past.

EAST INDIA TRAI

AN ACCOUNT OF THE NUMBER OF SHIPS, WITH THE AMOUNT OF THEIR TONNAGE, FOR WHICH DUTIES

Have been granted by The East India Company, in pursuance of the authority of the Act of 53 Geo. III,
1789, for Six Years, ending 1800, and 1801, distinguishing each Year.

	SHIPS.	TONS.
The Year - - 1814-15 -	52 - - -	28,003
— - - 1815-16 -	95 - - -	47,444
— - - 1816-17 -	165 - - -	77,879
— - - 1817-18 -	188 - - -	81,161
— - - 1818-19 -	168 - - -	74,239
— - - 1819-20 -	81 - - -	42,106
Total -	757 - - -	358,832

East India House, }
the 6th June 1820. }

J. DART,
Secretary.

appear that no safe or practicable alternative can be found within our reach. The reduction of the exchange to 2s. the Sicca rupce, if it could be permanently enforced, (which, however, I think it *cannot* be,) would not *only* have the effect of reducing the incomes of many of those who have retired from the Service, but it would operate *prospectively* to diminish the fortunes, or to prolong the period of service, of all those who look to India for their future establishment in life.

I am far from being satisfied that an arrangement might not long since have been made for rendering the Honourable Company's treasury the channel of remittance *to* India as well as *from* India ; and under such an arrangement, the inconvenience and loss to which the Company are now exposed, might in a great degree, I think, have been prevented. It is not too late, perhaps, even now to make the experiment, and the first step which I would suggest is, that the Honourable Court of Directors should open their treasury* for the receipt of

* I presumed to suggest this measure, in a Letter addressed by me to the Honourable Court, on the 2d December last, of which the following is an extract :

“ 3dly. By opening their treasury for the receipt of money for
 “ bills on India, at particular seasons, the Honourable Court will
 “ have it in their power, eventually, to draw any surplus funds
 “ accruing in India, for the supply of any occasional deficiencies
 “ in their home-treasury, and will thus have the means of pre-
 “ serving or of promoting a just equilibrium between the two
 “ treasuries. The Honourable Court are aware of the great

money for bills on Calcutta, Canton, &c., and that public notice of the terms of drawing should be given at Amsterdam, Lisbon, Copenhagen, Paris, Boston, Philadelphia, New York, and other places holding a commercial intercourse with India and China. The exchange should not be altered without giving previous notice, as shipments of bullion would not be made from distant places to London, unless the parties could depend upon obtaining the remittance at a certain known rate. The Honourable Court could afford just now to grant terms which would certainly tempt the Americans to purchase their bills on China, and the supercargoes at Canton can always draw with advantage on the Calcutta treasury for their reimbursement. The Honourable Court's bills might, if judged safe and necessary, be sent for sale to America and other quarters; but they could probably be easily negotiated in London, and they would at all events be eagerly sought after by those who have been accustomed to export bullion to China *from this country*.

Nothing can be more simple than the principle of this arrangement. China has a demand upon America for tea and nankeens, India has a demand upon China for cotton and opium, and England has

“ convenience and advantage which their governments abroad
 “ have derived from having rendered the public treasury the great
 “ organ of remittance throughout India; and it appears to me
 “ that the same system might be extended with advantage to the
 “ exchange transactions between India and this country.”

a demand upon India for tribute : let England receive from America the amount of the debt, and the whole account is settled.

It may be objected that, by granting the Americans such an accommodation, we encourage a rival trade. But do we not actually give them this encouragement, by forcing down, or by taking measures calculated to keep down, the exchange? If we should succeed in depressing it from 2*s.* 6*d.* to 2*s.* per Sicca rupee, the American will soon find that he can realize as much value in China with four dollars by a bill, as he has been accustomed to do with five dollars by remittances of bullion. The profit, at least, will be divided between him and the remitters from India.

Not that the *public creditors* can individually engage in such a transaction ; nor will the houses of business, who may be expected to engage in it, possess the same facilities which the Company command, from their establishment at Canton, from the extent of their capital, and the well-established credit of their bills. The Canton treasury is as much identified with the Calcutta treasury, as that of Bombay, the remittances to which have for many years past been effected with a profit to the government of at least 8 per cent. ; and it is quite certain that a profit may in general be realized in drawing from China upon Calcutta.

But whatever may be thought of this project, (and I own that *I* have never been able to perceive any weighty objection to it) I must still question the

necessity and the expediency of attempting *permanently* to reduce the exchange granted to the Indian creditors, to the standard of a bullion remittance. Bullion cannot *for a continuance* be made the medium of remittance *from* India, for that country does not possess any mines of the precious metals ; and I have explained above, that if it receive supplies of bullion from without (and it cannot otherwise continue to remit it), the bullion to be imported should be exchanged for the bullion to be exported, and this exchange must be attended with a saving of expense, either to the importer, or exporter, or to both.

I am aware that the exchange cannot *always* be effected: for instance, the gold-dust which is imported into Bengal from Bootan, the Eastern Islands, and some other quarters, could not possibly be exchanged for bullion to be exported to England. But I am inclined to think that the sum of these particular imports is not more than sufficient to supply the waste and consumption of the precious metals in our own provinces. Both gold and silver are not only wasted in the process of coinage, and in different manufactures, (plate, gold and silver lace and thread, &c.), but the custom of wearing trinkets and precious ornaments, which prevails among the men, as well as the women and children, causes a large consumption of the precious metals to take place annually in India.

I should enter more largely upon the commercial branch of the question, for subjects of finance and

commerce are in most cases so intimately connected, that no correct judgment can in general be formed with relation to the one, without reference to the other; but slight as has been the sketch which I have attempted, it will still, I am afraid, have appeared tedious and irrelevant to those whose attention has not been habitually called to what may be regarded as a professional question.

I have presumed to hazard an opinion that the plan of the Honourable Court of Directors is not likely to succeed, and that, even if it should succeed, the consequences are to be deprecated. Admitting, however, as I am disposed to do, that it is become highly desirable, if not absolutely necessary, for the Honourable Court to take some steps for the purpose of relieving the Honourable Company, as far as this can be done with safety and propriety, from the burthen of effecting remittances to England upon so large a scale, I have been induced to draw out the plans of two distinct loans, the object of which will be to separate the local from the European creditors, and to confine the remittance as much as possible to that class of persons who actually require it.

The first, or “Territorial Non-remittable Loan,” holds out an inducement to the resident capitalist to transfer to it his notes of the loan of 1811, by granting him an addition of 5 per cent. to his principal, which will then yield an interest of 6,30 per cent. per annum. The additional interest is equal to a premium of 5 per cent. on the sale of his

present interest bills, which is as much as the native capitalist can reasonably expect to realize *for a continuance* by the sale of those bills, and it is the equivalent proposed to be granted as a consideration for the sacrifice of this advantage.

It is proposed to receive *Cash* subscriptions to this loan, *at par*, in order that the Government may obtain the command of funds to enable them to place the debt of 1811 in course of payment, in the event of the public creditors declining generally the terms of accommodation tendered to them. The resources likely to be at the disposal of the government of India will otherwise, in my opinion, be insufficient to secure the success of any compulsory process; and it may, indeed, be found expedient to promote cash subscriptions by extending to them the premium of 5 per cent.*, if it should become necessary to reduce the disposable balance of the treasury, by despatching remittances in specie or bullion to this country. The local officers of finance will be most competent to decide on this point.

The second, or “Remittable Loan,” exacts a sacrifice from the European creditor, to the extent of 10 per cent. on his capital, which will then yield him an interest of only 5,40 per cent. per annum, or a remittance at the exchange of 2*s.* 3*d.* per Sicca

* So far from this having been found necessary, the government of India appear to have obtained cash subscriptions with a profit of 3 per cent. to the Company. I own that I underestimated their resources.

rupee on his present interest of 6 per cent. per annum. The consideration offered him for this sacrifice is, an ultimate remittance for the principal of his notes, and a consequent security against any future attempts which might be made to his prejudice.

All the European creditors will then be placed on the same footing, and it will no longer be possible to disturb the public debt.

If this be considered an objection to the measure, if it be considered desirable that the Government should still hold in their hands the power of making a still further reduction in the rate of Indian interest, I reply, that it would be quite irreconcilable with every principle of justice to apply this power *partially* against one particular class of the public creditors, to their utter ruin, while another class enjoy perfect security. I feel a reluctance even in proposing that so large a sacrifice as 10 per cent. should be required from the creditors of 1811, *exclusively*, while the rest of the creditors have their situation rather improved; but to force the surrender of one-fifth of their income, because they alone happen to be without an alternative, or the means of resistance, would seem to be a measure of hardship, which nothing but absolute necessity could justify.

I will even grant to those who speculate upon a further reduction of Indian interest, that, at some future period, the rate of interest in this country shall be reduced, say to 3 per cent., (and

some such concession is a necessary condition of the proposition)—then, I contend, that the remittance clause will not subject the Honourable Company to inconvenience, for who will be tempted to transfer his capital to England for the purpose of obtaining such a rate of interest? and even if some of the creditors should avail themselves of the remittance, would it not be highly advantageous to the Company, or to the nation, that a part of the Indian debt, under such circumstances, should be transferred and funded in this country*?

The loan of 1811, amounts to sicca rupees 13,96,00,000, or at 2*s.* 6*d.* per sicca rupee, to 17,450,000*l.* sterling; but I cannot undertake to estimate, with any degree of precision, the proportions of it, which are likely to be subscribed to the new loans respectively; and without such an estimate, the effects of the proposed arrangement upon the finances of the Honourable Company, cannot be satisfactorily exhibited. The natives are by no means the principal proprietors of the public securities; but they hold, I believe, a larger proportion of the loan of 1811 than of the debt generally, and I will assume that five millions of this loan are transferred to the new “Territorial Loan.” I will also assume that ten millions are subscribed to the new “Remittable Loan;”

* Not that I wish to see any general substitution of European for Indian creditors, because the public debt forms one of the great bonds of union between the two countries.

and the financial results will, in this case, be as follow :

1st, The Honourable Company, at an expense of 15,000*l.* per annum, will be relieved from the remittance to the extent of 300,000*l.* annually, upon which a loss of 20 per cent. might possibly be incurred ; and as, in fact, the Honourable Court of Directors, in their own plan, propose to offer a bonus to their creditors who may transfer their notes to a non-remittable loan, and as a bonus of 5 per cent. is the very least which could be offered with any prospect of inducing them to make the transfer, the additional charge upon the debt of 15,000*l.* per annum, which my proposition would entail upon the Company, will not be regarded as a sacrifice for which the Honourable Court are unprepared.

2dly, Upon the interest of ten millions, or 600,000*l.*, the rate of exchange will have been reduced, virtually, from 2*s.* 6*d.* to 2*s.* 3*d.* the sicca rupee, or 10 per cent., supposing a remittance for the interest to be actually called for ; but if payment of the interest should again be demanded in India, as heretofore, the effect of my plan will be to strike off a million sterling from the principal of the debt. In either case, a saving of charge to the amount of 60,000*l.* per annum will be produced, or 45,000*l.* per annum, after deducting the sum in which the interest of the “ Non-remittable Loan,” will have been augmented. If the commercial equilibrium should be re-established, the

bonus or the sacrifice which the Honourable Court of Directors may have authorized in order to relieve the Company from the burthen of the remittance, will be *pure loss* ; whereas the plan which I have ventured to offer as a substitute, may eventually be attended with a substantial advantage to the Honourable Company.

I will not undertake to answer that my plan will succeed to the extent which the Honourable Court of Directors seem to consider desirable and necessary, for I cannot hold out any expectation that the proprietors of the notes of 1813, and subsequent years, will be induced to transfer their securities to the "Territorial, or Non-remittable Loan:" they cannot be subjected to any compulsory process, and a bonus of 5 per cent. would not induce them to relinquish their present advantage. I considered for some time, whether it might not be advisable to offer them a bonus of 10 per cent. ; but, although this might tempt the native creditors to subscribe, it appeared to me, upon reflection, that the sacrifice would be too great to purchase exemption from what may be merely a temporary evil ; and it is not, moreover, desirable to make such a marked distinction between the value of the different loans, if it can be avoided.

It may be urged, and certainly with every appearance of reason, that the "Non-remittable Loan," proposed by me, will be just as liable to be depreciated in value as that projected by the Honourable Court ; but there are circumstances which consti-

tute a difference. The former will be to a limited amount, not exceeding five, or, at the utmost, seven millions; and it will be confined chiefly, if not exclusively, to the great native capitalists, who seldom move their property when it is once invested in the public securities, and who are seldom, or never, *forced* to a sale of those securities. With the European creditors, on the contrary, *forced* sales are not at all uncommon: they occur, at present, from a great variety of circumstances; and they may be expected to occur much more frequently, in the event of the parties being *compelled* reluctantly to transfer their property to a loan, the conditions of which are highly disadvantageous to them. In this case, a motive will be constantly felt for getting *out* of such a loan, either for the purpose of remitting to England, or otherwise, and no motive will be felt for getting *into* it; so that the sellers, whenever a sale becomes necessary, will find themselves at the mercy of the purchasers. In point of fact, there is not at present in India, belonging to *resident* proprietors, an uninvested capital sufficient to take off that portion of the debt which is held by the non-resident creditors of the Honourable Company.

I have not, however, concealed that my own plan is liable to objections, and one great objection is the difficulty I foresee in supporting the credit of any loan, which does not afford the convenience and the advantage of a remittance to England. With the European creditors, this objection is absolutely

conclusive against any such loans; with the resident capitalist, it will operate less powerfully; and if the loan be confined to the opulent natives, it will rarely appear in the market, and it may escape those violent fluctuations to which it would otherwise be exposed.

Although perfectly aware that my own plan is not altogether free from this and other objections, I still venture to submit it to consideration, upon a full conviction that it may be attempted without the danger of producing mischief, and with a fair prospect of success, as far as the object is actually attainable; and although I cannot suppose that this, or any other plan which trenches upon the income of the public creditor, will be acceptable to him, I feel satisfied that my plan, if carried into effect, will relieve him from a situation of great uncertainty, and at a moderate expense secure him against those fluctuations to which his property may otherwise be liable, as well as against any attempt which might hereafter be made to disturb it, in consequence of any real or supposed change of circumstances.

July, 1821.

*Remarks on the Plan of Finance promulgated by the
Bengal Government on the 1st May, 1821.*

BEFORE I submit the two plans of loans adverted to in the preceding Remarks, I would wish to offer a few observations on the measure of finance adopted by the Supreme Government of India, which was not, of course, known to me until very lately.

The plans of the Honourable Court of Directors, and of the Bengal Government, have the same object, and one great feature in common—they propose to relieve the Honourable Company from the burthen of effecting remittances to this country—the one by reducing the exchange from 2s. 6d. to 2s. the sicca rupee—the other by withdrawing the privilege of remittance altogether from the public creditors.

Both plans force upon the public creditors loans which they would not willingly subscribe to, and which are liable, therefore, to be discredited; and the Bengal plan being entirely unsuitable to the non-resident creditor, no expectation can reasonably be entertained of sustaining its crédit for any length of time.

Both plans have a tendency to aggravate, in the first instance, the evil complained of. This evil consists in the inability of India to pay the debt

annually incurred to Great Britain, and these plans would compel her to pay at once a portion of the *principal* of the debt already contracted. The burthen of the remittance would, it is true, be shifted from the Honourable Company to the private capitalist ; but the remittance must still be made, and the difficulty of effecting it is not at all diminished by the transfer. Indeed, on the part of the Company there is not the same urgency for making it at any particular period—they have capital and credit, and they can wait without much inconvenience for a favourable change of circumstances. The annuitant, on the contrary, cannot wait for those remittances which must supply his daily expenditure.

Both plans, but more especially the Bengal plan, have consequently a direct tendency to force India to strip herself suddenly of her stock of the precious metals ; and this forced exportation of specie must create a difficulty in realizing the public revenue, and may cause, hereafter, a diminution of that revenue, by lowering the price of agricultural produce.

The Bengal plan will throw into the hands of the houses of agency the capital of all absentees who hold notes in the loan of 1811, and these houses must henceforward become the great organ of remittance from India, instead of the Honourable Company, by whom the remittance has hitherto been made with so much attention to the security, convenience, and advantage of the public creditor.

The Government agents can no longer act, for they will have no means whatever of furnishing remittances. Even if they should be authorized to remit by private bills, they will not be able to procure them; for the houses of business, who draw on the part of the Indigo manufacturers and others, will very naturally give a preference to their own correspondents, and may not always find it practicable to draw to the extent of their demands. Public bills will rarely appear in the market, if the loan of June 1811 be converted into a local debt, the interest of which is payable only in cash; and, at all events, under the uncertainty which will exist with regard to the ability of the Government agents to effect remittances, no person who depends upon the punctual realization of his income, can venture to employ those officers. Thus an establishment, which was formed expressly for the security and the convenience of the public creditor, will have been virtually superseded.

The Bengal plan avoids the legal difficulty which the plan of the Honourable Court involves. It makes no reservation in favour of absentees, except in allowing them, under clause four, to receive their interest by bills on England to the 31st December next; and this small measure of favour being bestowed only as a condition of the new loan, it will not affect the pre-existing contracts. The Government were competent, of course, to insert any new conditions in the new contract; and by

paying off the whole debt of 1811 *at once*, (as would seem to be intended), the creditors are all dealt with in the same manner.

The Bengal plan has a much better chance of succeeding than that of the Honourable Court; because the absentees have had no opportunity allowed them to make an election, and their agents on the spot, in the absence of all instructions, will probably see no alternative but to subscribe for them to the new loan. They may, with every appearance of reason, decline to receive from their correspondents large sums of money at interest, at a time when it cannot be employed to advantage; and they may have supposed that, if they omitted to subscribe, the absent creditors would be subjected to a loss of interest. It accordingly appears that large transfers have already been made to the new loan, and these will secure the success of the measure, if the native capitalists should not combine to defeat it.

The absentees whose agents may have subscribed without regular powers, will, no doubt, be at liberty to disavow the act, and to insist upon receiving payment of their original securities, which still exist as a demand against the Government, the act of an unauthorized agent having no effect whatever in cancelling the obligation. But even if this step should now be generally taken, it is not likely to defeat the plan. The demands upon the treasury, which, under the notice given by the Honourable Court, would probably have been made simulta-

neously, and to such an amount as to arrest the progress of the operation, can now come forward only gradually, and in such scattered fragments as to preclude all idea of the Government being exposed to difficulty in providing for their discharge as they successively appear.

To assist the judgment of persons in this country, who have not yet determined upon the course of proceeding to be pursued by them, has been one great object of the present discussion ; and although I cannot flatter myself that I shall succeed in guiding them through the difficulties by which they are encompassed, it may not be quite useless that I should lay before them the alternatives upon which they must decide.

1st. Those who are entitled to the benefit of the resolution of the Court of Directors of July 1812, will unquestionably do well to avail themselves of it, by accepting bills on England at the exchange of 2s. 6d. per Sicca rupee. These bills will bear date the 31st July 1821 (or the date on which their notes of the 30th June 1811 may, respectively, have become due), and will be payable in England eighteen months after their date. During this run of the bill, individuals are apt to fancy that they are losing interest ; but time, or interest, forms one part of the consideration which determines the rate of exchange, and this supposed loss of interest must, at all events, be submitted to whenever their funds are brought home to this country. As a reason for accepting the benefit of the resolution of July

1812, it is only necessary to mention that bills at 2s. 6d., payable twelve months after date, have lately borne a premium as high as 20 per cent. in the Calcutta market. Bills at eighteen months' date are only less valuable by the difference of interest for six months (or $2\frac{1}{2}$ per cent.); and they must consequently be much more valuable than either cash or the notes of the new loan. Nor are the public creditors likely to experience any diminution of income, by transferring their capital to this country. The Honourable Court of Directors' exchange of 2s. per Sicca rupee reduces their interest to 4.8 per cent., subject to a further deduction for the charges of agency; and this rate of interest may, in general, be obtained by investing in our Navy 5 per cents, while a much higher interest may be obtained by investing in the public funds of France, Prussia, and other continental states.

2d. Those absentees who cannot claim the benefit of the resolution of July 1812, but who do not stand pledged to subscribe to the new loan, will have to consider the following circumstances:

If they disavow the act of their agents, which is, in truth, an act of supererogation, and a mere nullity, the interest on their notes of June 1811, will have ceased on the 31st of July last, or on the dates on which those notes may severally have become payable: but still I think that the Honourable Court of Directors, and the Government of India, with their accustomed liberality, will be disposed to relieve them (as was done on a

former occasion), from the loss of interest to which they may thus expose themselves.

If an option be allowed to subscribe, either to the loan projected by the Honourable Court, or to that announced to the public by the Government of India on the 1st May last, and it be determined by the creditor to subscribe to the one or the other, undoubtedly the former merits a preference ; for it provides a remittance for the interest, unfavourable as the terms unquestionably are, and the creditor need not have recourse to the Company's bills, at 2s. per Sicca rupee, if he can procure other bills at a better exchange. The public have not yet been informed whether an option between the two plans is to be granted ; but as the Honourable Court may be considered to have pledged themselves to their creditors in this country, their plan will not, I presume, be withdrawn, merely because the local Government may have succeeded in forcing upon the public creditor terms more rigid and disadvantageous to him. What if the Bengal plan should miscarry ? Will it not be more prudent to avoid the consequences of such a contingency, by securing as large a subscription as possible to the Honourable Court's loan, although it may fall short of the complete accomplishment of the object which seems to be desired ? The execution of two plans, originating at the same time in two different quarters, so far removed from each other, is liable, no doubt, to be attended with much inconvenience ; but the creditors must now, I con-

ceive, be allowed to make their election between them; and even if the Honourable Court should reject the modifications which I have presumed to suggest, they will, in my opinion, consult the public interests by adhering to their own plan in preference to that adopted by the Government of India.

But there is a previous question for the creditors to decide, namely, whether they will subscribe to *either* plan.

If they determine to receive payment of their notes of June 1811, in *cash*, they will find it impossible, for some time at least, to obtain a remittance to England for the principal, without incurring a heavy loss; indeed, a remittance in bullion would seem to be the only one open to them at present. In the interim, their agents in Calcutta, finding it impracticable to employ the large capital which would thus be thrown upon their hands, may decline to receive the money at interest, or may allow only a very low rate of interest; and as a difficulty may be experienced in procuring a remittance, even for this low interest, the parties must necessarily remain under great uncertainty with regard to the amount of their income, and the period of receiving it in this country.

On the other hand, if they subscribe to the Bengal loan, an opportunity may occur, when it is too late, of remitting to England on more favourable terms; for it may then be impossible to get out of the loan without making a pecuniary sacri-

fice. The loan may not be negotiable, except at a considerable loss ; and if war should occur in India, or if large remittances should continue to be made to this country in specie, my own opinion is, that it will be greatly depreciated in value. Should peace be happily preserved, there is one circumstance which may operate to sustain its credit. In India a large accumulation* of capital takes place annually, and the proprietors of a part of this capital, or their representatives, (trustees and others), are disposed always to invest it in the public securities in preference. I was accustomed to estimate its amount, in Bengal alone, at from 70 to 80,00,000 rupees per annum, or near a million sterling, and it has since probably increased. Now, if there be no demand for new capital, either for political or commercial purposes, this fund, coming regularly into the market, tends to uphold the value of the Government securities, and it may, possibly, for a time support the credit of the new loan, unsuitable as that loan undoubtedly is to the European creditor.

But without looking forward to those circumstances which may affect the value of the *principal*, let us inquire in what manner the public creditor

* This accumulation must not be confounded with what I have designated the private tribute payable by India to England : the former consists partly of *Native*, and partly of *European* capital, which is saved and not expended ; the latter is *wholly* European capital, consisting of savings, and the interest of previous savings, remitted, one year with another, for the purpose of being invested, or of supplying expenditure in England.

will realize the *interest* of his capital, if he should place it in the loan of the Bengal government. He must of necessity employ a private agent, and he must depend entirely upon that agent, both for the terms of the remittance, and the means of procuring a remittance on any terms. The houses of business are accustomed to make advances to the indigo manufacturers and others, at some risk to themselves. There is a general understanding that the bills to be drawn upon the consignments to this country should be negotiated by those houses for their reimbursement ; a difference, I believe, is usually made of 1*d.*, and sometimes 2*d.*, in the rupee, between the rate at which the bill is taken from the manufacturer, and the rate at which the agent draws ; and this commission, which at 2*d.* in the rupee amounted to $0\frac{2}{3}$ per cent., when the exchange was at 2*s.* 6*d.* per Sicca rupee, would, upon the present exchange of 2*s.* per Sicca rupee, amount to $8\frac{1}{3}$ per cent. ; and it is to be presumed, therefore, that some modification of the rate will take place with reference to the change of circumstances *.

* As far as my experience and recollection extend, it was usual, I think, when the Company's bills were at 2*s.* 6*d.*, for the agent to draw at 2*s.* 7*d.*, and to take the manufacturer's bill at 2*s.* 8*d.* ; and the difference of 1*d.* in the rupee was far from being an unreasonable indemnification for the agent's risk, trouble, and expense, considering that all speculations in indigo and silk (as well as in some other articles for which advances are made), are liable to a twofold risk : first, the contingency of bad seasons ; and next, the chance of bad markets. Indeed, when the one is favour-

To the extent, then, of their consignments to this country, the agents can accommodate their correspondents with bills; but should any delay occur in effecting sales, or should the demand for a remittance exceed their means of supply, they cannot continue to draw; and the annuitant in this country will have no alternative but to order home his money in specie or bullion; a mode of remittance attended with some trouble, *altogether unsuitable when the sum is small*, and liable always to uncertainty, both with respect to its amount, and the period of its realization*.

able, the other is generally otherwise. I have known the long bills of the Company's supercargoes at Canton, to be negotiated in Calcutta at 2s. 9d. and the bills of a respectable Foreign Company, at 2s. 10d.; but at that time, a bullion remittance, which constitutes the great check to a high exchange, was quite impracticable, from the high price of the article, and its great scarcity in England and other parts of Europe. The former high rates of Indian interest had, also, a material effect upon the exchange.

* A bullion remittance *from* India cannot be expected, on a medium, to realize 2s. the Sicca-rupee, even if the coins exported be *all of full weight*, and it will be recollected that our Indian coins are allowed to circulate until they have lost six anas, or $\frac{6}{16}$ ths per cent. Gold will probably give the best remittance, and may be expected to realize 2s. the Sicca rupee, within a very small fraction, allowing $7\frac{1}{2}$ per cent. for the charges of freight, insurance, and agency, and taking credit for $2\frac{1}{2}$ per cent. for the saving of interest on a bullion remittance, which will, in general, be realized six months sooner than a bill at twelve months' date. But neither gold, nor Spanish dollars (which may be considered the next best specie remittance), can be procured always in Calcutta, to any large amount; and the public creditor will, therefore, I fear, in most cases, be compelled to remit the Sicca rupee, which, at the

How different was the situation of the public creditor heretofore. His income was certain in its

present prices of bullion, will scarcely yield him 1s. 11d. The following materials will enable those who are interested in the result, to satisfy themselves that they cannot depend upon realizing even 2s. the Sicca rupee, under present circumstances, by ordering their interest to be sent home in any description of specie or bullion :—

Fine Gold in a Calcutta gold mohur, mint standard, troy grains,	187,651
In a Madras gold rupee (equal to 15 silver rupees), troy grains,	165,
Fine silver in a Calcutta Sicca rupee, mint standard, troy grains,	175,023
Fine silver in a Spanish dollar, on an average, troy grains,	370,648
Fine gold in an ounce of English standard, troy grains,	440,
Fine silver, ditto,	ditto, 444,
Mint price of an ounce of English standard gold,	£3 17 10½
Ditto ditto silver,	0 5 2
Present market price of dollar-silver, per oz.	0 4 9½
Ditto standard silver in bars, ditto	0 4 11
100 Spanish dollars yield in the Calcutta mint, net S ^a . rupees,	206 5 11
100 Spanish dollars usually cost in the Calcutta market, S ^a . rs.,	207 or 208

If a free government should be established in the Spanish American Colonies, and the steam-engine should be introduced generally in their mines (one has been successfully introduced already, I understand), a very great change may take place in the value of the precious metals all over the world ; but I shall not attempt to trace the bearings of such a change upon the question under consideration. I am fully aware that, even according to the present price of the precious metals, 2s. 6d. is a high valuation for the Sicca rupees, because a remittance in bullion from this country to India will cost at present only 2s. 2d., or 2s. 2 d., and the corresponding exchange for bills to be drawn from Calcutta, at twelve months' date, ought to be only 2s. 4½d., or 2s. 5d., the difference between the two modes of remittance being about 2½d. It is scarcely necessary for me to explain that this difference of 2½d. represents the value of time, or interest, for 18 or 20 months. If the manufacturer, or merchant, draw from Calcutta on London,

amount; it was received at stated periods; he had the option of employing, at a trifling expense, the agency of the public officers, acting under the guarantee of the Government; and he enjoyed the advantage of *public security*, until his income actually reached his own door. The reverse of all this must be experienced for the time to come; and the public creditors must become exporting merchants, and traffickers in the precious metals.

he receives the money 12 months before he pays it. If he wait to remit from London, he advances the money about 8 months before he realizes it in Calcutta. To him, therefore, there is in the former case a saving of 20 months' interest, which at 6 per cent. per annum (and he in most cases saves *Indian* interest) amounts to 10 per cent. equal to about $2\frac{1}{2}d.$ in the rupee. When Indian interest was at 10 and 12 per cent. per annum, the value of this saving of time was of course much greater, and it shewed itself accordingly in the exchange. But while I admit that the exchange of $2s. 4\frac{1}{2}d.$, or $2s. 5d.$, for bills to be drawn from Calcutta, would be more in correspondence with the present prices of bullion, and the present rate of interest, than $2s. 6d.$, I cannot admit that $2s.$ is the proper and natural exchange, if we assume (as I am disposed to do) a balance of trade to exist, as formerly, in favour of India, requiring remittances to be made *from this country* in bullion; and still less can I admit that the value of such a mass of property as the public debt of India, ought to be changed with every variation in the prices of bullion, or in the course of the trade. Two shillings is, no doubt, very near the natural exchange when bullion is to be remitted *from India*; $2s. 5d.$ (or a higher rate, if interest exceed 6 per cent. per annum) when bullion is to be remitted *to India*; and the latter case has occurred for the last thirty years, with few exceptions, and may be expected to occur again.

It may be said, that all those who invest in the English funds are liable to have their capital depreciated in value ; and that those who purchase into the French, Russian, and other foreign funds, in addition to this contingency, are liable also to have their incomes affected by the variations in the exchange. This is certainly true ; but, in the former instance, the capitalist purchases a determinate income, which is not liable to be diminished in consequence of fluctuations in the value of the principal ; and although the income drawn from some of the foreign stocks does vary with the exchange, the fluctuations cannot range between such wide extremes. Limits are in general placed to the variations of exchange by the cost of a bullion remittance ; but into this cost, time (or interest), sea-risk (or insurance), and the charges of transportation, enter always as ingredients ; and as these charges are much more heavy on a remittance from India, than they can be on a remittance from the Continent of Europe, the extremes of difference in the exchange are liable to be much greater in the one case than in the other. We have accordingly seen the exchange with Calcutta fall, within the last two or three years, about 20 per cent. Formerly, it was found necessary to send bullion from England to India ; now, it is become necessary to bring it from India to England, and the exchange has varied to an extent, even exceeding the charge of the two operations taken collec-

tively, for it includes also the expense of converting particular coins into the local currency.'

I do not insist upon the fact that the public creditor must henceforth depend entirely upon the prudence, moderation, and responsibility of his agent. Competition, it may be said, will place him in the best hands, and give him the full benefit of any favourable alteration which may hereafter take place in the course of the exchange; but competition is weak where a business requires a large capital and extensive connexions, and where it necessarily centres with a small number of persons. Nor have I undertaken to plead a case of private grievance, or of individual distress. The objections which I presume to urge against a measure, emanating from an authority which I respect, stand rather upon public grounds; and some of these I will briefly recapitulate, although sensible that I have been led already into much repetition.

1st. The operation can succeed only with a part of the debt, (namely, the loan of June, 1811,) if it succeed at all. The interest on the remainder, amounting to about a million sterling per annum, must still be paid at the London treasury; unless, indeed, an attempt be made to new-model the later loans, with an absolute certainty of causing the principal to be transferred to this country.

2nd. A part of the *principal* of the loan of June 1811 is likely to be transferred for payment to

England, by reason of the proprietors availing themselves of the resolution of the Honourable Court of Directors of July, 1812; and this transfer must necessarily aggravate the difficulty at present experienced in providing for the payment of the annual *interest*, at the London treasury: a greater demand may, in fact, be thus thrown upon the home treasury, in the ensuing three years, than would have come upon it, if no attempt had been made to new-model the debt; and, before the expiration of that period, the trade from India may have recovered itself so far as to render the operation altogether unnecessary*.

3rd. A forced exportation of bullion must take place from India, as a necessary consequence of the measures which have been pursued, to the possible injury of the public revenue†.

4th, The unsuitableness of the new loan to the European creditor, must render it extremely diffi-

* Instances have occurred of a very considerable depression of the exchange within my recollection; but it recovered in a short time, and not, perhaps, less rapidly because the Government abstained from all interference.

† It may be said, that if the China trade can afford the remittance which I suppose, the American bullion will find its way to India, to replace that which may have been exported from India to England: so it will, sooner or later, somewhat diminished in quantity; but my argument hinges chiefly on this fact, that a greater exportation from India than would otherwise have been necessary, will take place by the forced transfer of a part of the *principal* of the debt *prematurely*.

cult for the local government to sustain its credit ; and if it should once be materially depreciated in its exchangeable value, it will remain a depressing weight upon public credit for the time to come, and perhaps cause the renewal of those high rates of interest which it has been the great object of the public authorities, both abroad and at home, permanently to reduce.

There are considerations of another description, which I shall notice very slightly.

1st, I would respectfully submit to the Honourable Court, whether in ceasing to act as the great organ of remittance from India, a strong argument will not be furnished to those who are so much disposed to attack their China monopoly ? Was it not urged as a ground for continuing to the Honourable Company the exclusive trade with India, that they afforded the only safe, convenient, and certain channel for effecting the remittances to this country ? And may not the Indian capitalist now urge with some show of reason,—“ You decline
 “ to supply us with a remittance to England, as
 “ heretofore,—we can send opium and cotton to
 “ China for the purchase of *tea*. Allow us, then,
 “ to send this tea to the continent of Europe, and
 “ we shall experience no difficulty in realizing our
 “ fortunes, with safety and advantage, in the mother
 “ country. • If this accommodation be denied, will
 “ not individuals soon be found to engage in a
 “ *clandestine* trade, for the purpose of effecting a

“ remittance so urgently called for.” I will not presume to offer an opinion on the great question of the China monopoly, on which many experienced and very able men appear to entertain very dissimilar sentiments ; but it does occur to me that all those who support it upon principle, ought, upon principle, to afford every facility in the way of the Indian remittance, which will otherwise force itself a channel through China, to the probable injury of that monopoly.

2dly, I would submit, whether to sever the debt of India from Great Britain, would not be to break one of those chains which now happily bind the two countries together. If we succeed in rendering it exclusively a local debt, who in this country will have any direct interest in the financial prosperity of those distant regions? The interest at present felt, is unfortunately much too weak and languid. It is, no doubt, highly desirable that our native subjects should hold a portion of the public debt, and they should be encouraged to invest their property in it, because it gives them an immediate interest in the stability of our government ; but they have not, I conceive, uninvested capital at present, sufficient to admit of their becoming, either the sole, or the principal proprietors of the territorial debt ; and our tendering to them a loan, whose credit may not be sustained for a single twelvemonth, is not, perhaps, the most obvious or certain way of affording them this

encouragement, although, should the loan fall to a discount of 20 or 30 per cent., a motive for investing in it may by and by present itself. But, without urging further that it is not desirable, even if it were immediately practicable, to cause the retired servants and others in this country to relinquish their interest in the Indian debt, I submit that the reduction of the exchange must have another tendency to weaken the connexion at present subsisting between the two countries. Those who heretofore embarked in the public service of India, have been obliged latterly to prolong their residence abroad to a period of thirty and thirty-five years; and at what period can the junior part of the service now expect to return to their native country, if their present fortunes and the value of their future savings, should at once be reduced in the proportion of one-fifth? Will they not look to India as a permanent residence, and gather their children and family around them? and is not this the first step towards *colonization*?

3dly, Is not the proposed reduction of the exchange something very like an alteration in the denomination and value of the current coin? and can it be the interest of any government, which is not absolutely bankrupt, to make such an alteration? The East India Company possess a territorial revenue of about 16,00,00,000 sicca rupees, which heretofore represented twenty millions of our

money ; but all at once they alter the value of the rupee, and reduce this revenue to *sixteen* millions. They will not, it is true, feel the alteration upon the great bulk of the revenue, because eighteen or nineteen millions of the amount are immediately disbursed in charge at the same valuation ; but their creditors and European servants will feel it sensibly, and upon the *surplus* of revenue the government itself will feel it, if that surplus cannot be remitted home otherwise than by the exportation of bullion. In this case, the computed annual surplus of 1,500,000*l.* will be reduced to 1,200,000*l.*

The evil under consideration, originating in the difficulty of effecting remittances from India, it seems, no doubt, a very simple and obvious proceeding to get rid of it, by throwing the expense upon the private capitalist, as the Honourable Court propose to do, or by casting off the burthen altogether, as the government of India have done ; but this, in my opinion, is to take a very superficial view of the question, and to place the consequences entirely out of sight. Grant that India should once more have a balance to receive from Europe, after paying all its debts (as was heretofore the case), and that its produce and manufactures should realize a remittance of 2*s.* 6*d.*, 2*s.* 7*d.*, or 2*s.* 8*d.* per sicca rupee, what will the Honourable Company have gained by a measure which has thrown the great body of their European creditors into a

state of the greatest alarm and distress? It may be said that the re-establishment of the échange will do away all their grievances, and restore them to all the advantages which they have been accustomed to enjoy. Not exactly. It will not reimburse them the charges of agency,—they will still have exchanged public for private security, a fixed for a fluctuating income; and, in many instances, *the good will arrive too late*, for the situation of difficulty and embarrassment in which they will find themselves placed, will have impelled the more necessitous to withdraw their capital unseasonably at a heavy loss.

The measures which I have suggested as a means of alleviating the inconvenience, to which the Honourable Company are at present exposed, have for their object, first, to render their treasury the organ of remittance *to* India as well as *from* India,—and next, to separate the public creditors into two classes, affording the accommodation of a remittance to those who actually require it, and holding out to those who do not, terms of compromise which may induce them to relinquish the privilege. The two plans of loans, which I have accordingly the honour to annex, and which are only modifications of the Honourable Court's plan, would, I think, succeed, to a certain extent, in accomplishing the latter object, with the prospect of producing a considerable reduction in the principal of the territorial debt.

To conclude,—I feel perfectly satisfied that the

Honourable Court of Directors, the government of India, and their professional advisers, have been actuated solely by a regard for the interests of the public service in adopting the measures, whose policy I have presumed to question ; and some of those respectable characters, must, as individuals, suffer in their private fortunes from the effects of their own disinterested conduct. I, too, can say, with truth, that, in maintaining an opposite opinion, I am not conscious of a single motive which I would wish to conceal,—the premises which I have assumed, may have no foundation,—my reasoning may be inaccurate and inconclusive,—my predictions may be contradicted by the event. Of all this, I am fully sensible ; but still I can confidently say that I would not willingly mislead,—that I state nothing which I do not believe,—and that, far from being influenced by any factious spirit of opposition, my habits and the ordinary bias of my mind, would dispose me rather to defend the measures, and to uphold the authority of that body, in whose service it has been my good fortune to pass the greater part of my life.

H. ST. G. TUCKER.

October, 1821.

Territorial, or Non-remittable Loan.

Fort William, Feb. 1st, 1822.

2. THE 6 per cent. promissory notes, issued by this Government on the 30th June, 1811, or in any subsequent year, and still outstanding, will be received in subscription to the present loan, at a premium of 5 per cent. ; that is, for every sum of 100 rupees to be subscribed, a certificate or acknowledgment will be issued, bearing an interest of 8 per cent. per annum, and entitling the holder to receive, on the 31st December next, a promissory note for 105 rupees, to be issued under the terms and conditions of this loan, as hereinafter specified.

3. Subscriptions to this loan will be received in cash, *at par* ; and the Lucnow (or Furrukabad) and Benares rupees, will be received at the exchange of——

4. The Governments of Fort St. George and Bombay will, also, be authorized to receive cash subscriptions to this loan, at par, at the undermentioned rates of exchange, *viz.*

The accounts of this loan will be made up on the 31st December next, when the broken interest which may be due on the certificate, or acknowledgment, will be paid in cash, and a promissory

note be granted in exchange for the certificate in the following form.

[The terms of this note will be, that both the principal and the interest will be payable in Bengal only in cash. The other clauses must be taken from our printed advertisements, *mutatis mutandis*, and I can draw them up, if necessary.]

It appears to me almost a matter of indifference which loan should be placed *first* on the Register; for they will both come after the remittable loans of 1813, *et seq.* They had better, however, be registered on different dates, and I have selected those which appear to me most convenient, with reference to the payment of interest, &c.

By allowing an interest of 8 per cent. per annum on the certificates, some additional temptation will be held out to the natives and others to subscribe, and *to subscribe early*; and if their notes be transferred before the 30th June, the Court of Directors will escape from the payment *in England* of the instalment of interest which becomes due on the 1st July 1822. At all events, they will escape payment of the ensuing January instalment, the broken interest being payable in cash only.

It is not impossible that, by allowing once more, even for a short period, an interest of 8 per cent. per annum, the rates of private interest, and the value of the public securities, may be affected in some slight degree; but, under existing circumstances, no harm would be produced by such a result.

The probability is that, notwithstanding the temptation of 8 per cent. interest, the natives and others will not transfer generally to the loan until their notes are actually advertised for payment; and in advertising them the utmost circumspection will be required. *Cash* subscriptions may be expected *immediately*, to secure an interest of 8 per cent. per annum; and these subscriptions will enable the Government to proceed to advertise the loan of June 1811, for payment at an earlier period than would otherwise be practicable. The higher interest of 8 per cent. per annum will enable the absent proprietors of our securities to defray the charges of agency incidental to the transfer of their notes to the present loan; and, if judged expedient, it might be expressly stated that it is allowed in some measure with a view to their indemnification.

By advertising the loans here, in the manner I have proposed, the absent or European creditors will be made acquainted with the terms of the loans and other particulars even before the resident creditors, and the necessity for giving the former a notice of fifteen months will consequently be superseded. The publication here, indeed, sixteen or seventeen months before the loans are closed, will be fully equivalent to this notice.

Some ulterior measures may be necessary, if the natives should not transfer generally to this loan; but they must be regulated with reference to a variety of circumstances.

It may be apprehended that this loan, like that

proposed by the Court of Directors, will be liable to fall to a discount ; but it must be held in mind, that the amount is not likely to be very considerable ; and as it will be held almost exclusively by the rich native capitalists, who are seldom reduced to the necessity of resorting to a forced sale, it will not be equally liable to be depreciated in any extraordinary degree.

Remittable Loan.

Fort William, 1st Feb. 1822.

2. THE Six per cent. promissory notes of this Government, still outstanding, *and which may not actually have been advertised for payment*, will be received in transfer to the present loan, at a discount of ten per cent. ; that is, for every sum of 100 rupees, a certificate or acknowledgment shall be issued, bearing an interest of eight per cent. per annum, and entitling the holder to receive, on the 1st January next, a promissory note for 90 rupees, to be issued under the terms and conditions of this loan, as hereinafter specified.

The accounts of this loan will be made up on the 1st January next, when the broken interest which may be due on the certificate or acknowledgment will be paid in cash at the general treasury of this presidency ; but with a view to the accommodation of any of the public creditors, *resident in Europe*, who may have authorized the transfer of their notes to this loan, prior to the 30th June next, the instalment of interest which becomes due on that date, at the rate of six per cent. per annum, will be paid, at their option, by bills on the Honourable Court of Directors, as heretofore ; and so much of the broken interest due on the 1st January following, as may be equal to six per cent. per annum, will be paid in the same-manner, if required ; the excess being paid in cash as a

means of enabling the parties, eventually, to defray the charges of agency, incidental to the transfer of their notes to the present loan.

No *cash* subscriptions should be received to this loan, as it is not desirable to increase the *remittable* debt even at a profit of ten per cent.

The form of the promissory notes, and the different clauses of this loan will be only modifications of the loan opened on the 13th August, 1812. Both the principal and the interest will be payable in England at the exchange of 2s. 6d. per sicca rupee, in the manner therein provided for. It might be deemed more simple to reduce the exchange at once to 2s. 3d. per sicca rupee, instead of reducing the *principal* of the debt; but if the former alternative were adopted in preference, the Company would forego an eventual* benefit, and the loan would no longer operate, as I expect it will operate,

* Although the Company may derive an eventual benefit, it does not follow that the creditor will, in all cases, sustain a corresponding loss. The exchangeable value of 90, with the benefit of a remittance at 2s. 6d., will probably be nearly equal to the exchangeable value of 100, with a remittance at 2s. 3d.; in other words, if the creditor have occasion to *sell*, he would probably realize as much by selling his 90 at a premium, (which the loan would probably bear,) as by selling his 100 at a discount, or even at par.

as a spur or inducement to the native capitalists to transfer their notes to the “ Non-remittable Loan.” This loan *augments* their capital. The remittable loan *diminishes* it; and the difference between the two will furnish the natives with a strong motive for preferring the former.

My great object, indeed, throughout, has been to separate the native or resident capitalists from the European creditors; and this object will, I think, be accomplished, as far as the debt of 1811 is in question, if there be no mismanagement. But I cannot venture to hold out an expectation that even *the natives* will be induced to transfer their notes of 1813, and subsequent years, to the “ Non-remittable Loan,” unless a temptation were offered to them greater than I could venture to recommend. As I have provided that the existing debt shall not be transferable to this loan, *after the notes shall actually have been advertised for payment*, individuals intending to transfer will be desirous of subscribing at an early period in order to avoid *possible exclusion*; and if this disposition can be excited generally, the progress of the operation will be much more rapid, and its success be much more certain.

H. ST. G. T.

July, 1821.

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AND A
PROJECTED AGENCY
FOR THE
HONORABLE COMPANY'S SERVICE,
BY A
Member of the Civil Service.

CALCUTTA :

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1825.

P R E F A C E.

Some typographical errors having accidentally crept into the Figured Statement of the original of the following Paper, which appeared in the India Gazette of the 28th Instant, a revised copy was published in the Government Gazette of this day, and a few remarks added in support of my original sentiments.

The outline of the projected Agency I have been induced to subjoin, deeming the present a seasonable moment for submitting it to the consideration of the Service.

T.

Calcutta,

The 31st March, 1825.

AN ESSAY.

THE *India Gazette* of the 14th February, 1823, did me the honor to insert an Essay, suggested to me by the importance of certain financial operations then taking place, and an apparent misconception with regard to the value which a 5 per Cent. Stock could sustain in the Indian market.

In that Paper, and before the conditions of the expected Loan were promulgated, I ventured an opinion that the resources of this Government were adequate to ensure the conversion of their 6 per Cent. unremittable paper into a 5 per Cent. Loan, and not only that the latter would soon bear a premium equal to the current rate of the former, (which it did in three months,) but, also, that ere the expiration of another two years, Capitalists would probably be unable to realize a higher interest on their money than 4 per Cent., and, considering, on those terms, how impossible it would be for the East India Company to maintain an efficient service, that the circumstances would prove an additional incentive with the Court of Directors for awarding the lately proposed, and I hope now granted, Annuity to their Civil Servants.

Seeing then how completely my several predictions have been verified, I may, perhaps, be justified in again offering myself to public notice for the purpose of exposing the fallacies of certain other views which seem very generally to be taken to the financial measures of the present time. These resolve themselves into three heads: first, as regards the probability of another Loan being opened to meet the political exigencies of the current day; secondly, the Loan which now promises to make the most productive investment; and thirdly, the expediency of remitting capital to England for investment in the British funds.

Upon these points I cannot but think very considerable delusion seems to exist, and particularly in the idea that the expences of the present war will probably force Government to open another Loan at an advanced interest. To my mind such an idea can only emanate from utter ignorance of the resources of this Empire, or from some erroneous inference deduced from discovering a momentary drain of that redundancy of specie usually to be met with in Calcutta, and entire forgetfulness of daily expectancies from China as well as of the very large payments which will shortly fall due in liquidation of the proceeds on the sales of Salt and Opium. But, as a very intelligent writer has remarked, it is *not* to the *mere state of the Treasuries* that the public are to look in order to form an estimate of the resources of Countries contending for Independence, or carrying on distant wars, as we now are, or improving their internal prosperity. A Loan soon exhausts the ordinary and adventitious pecuniary resources at their command. Yet the poorest nations have experienced no difficulty in the management of their affairs from the want of money, and the history of the last 25 years, both in England and India, furnishes sufficient proof that the confidence of the people in their Government forms the safeguard to *public credit*.

Moreover, from the facilities of circulation—of internal communication with the Mofussil, and the resources of the sister Presidencies, (abundantly adequate of themselves to supply any Calcutta void), I conceive this Government to possess, within themselves, the means of meeting, with the most perfect facility, any extraordinary expenditure which present circumstances may require. The war with the Burmese does not abridge them of any part of their usual aggregate resources, and the current premium on the 5 and 6 per Cent. Loans, bears ample assurance that the public creditors interested in the welfare of the state, entertain the highest opinion of the confidence to which the Securities of their Government are entitled, as well as of the general prosperity of the country. Nay, the sceptic who deludes himself with the expectation of another new Loan, would do well to look into the energies of the people,—their public spirit,—their domestic economy,—and, in short, to the elements of their commercial prosperity,—before he allows himself to be duped by the mere clamor of speculative theorists. And if Government had not been confident of their own capability to make provision for the future emergencies of the war, without hazarding the necessity of

opening a new Loan at an advanced interest,—is it probable, let me ask, that they would have bestowed, as I am informed, about 46 lacs of rupees on the purchase of Indigo for the London market,—when, to meet the exigencies of the home treasury, the Honorable Company could, for a consideration of 3 per Cent. (the rate they now allow on their bonded debt) so easily have replenished their European coffers out of the redundancy of capital which now begs for employment in England?—Surely not. And, without further comment on this unnatural expectation, I shall pass on to a consideration of the second branch of my subject,—namely, the Loan in which investments can now be made with the most reasonable prospect of advantage.

To aid me in this elucidation, I subjoin a calculation, exhibiting—upon what must appear a fair principle—the comparative products of each, in Pence, at the expiration of the present Charter.—And allowing, as I obviously do, a preference to the 4's, many may remark, that the question entirely rests on what may be the state of Exchange between Great Britain and India at the conclusion of the Charter. But, this is not the case—to the full extent that the Public are disposed to think—and if it was—the solution, depending on a mere contingency, would be destructive of that plain and unsophistical statement which it is now my object to submit.—To mysteries, I am no friend—nor do I lay any pretension to such sagacity or supernatural foresight as could alone have suggested the “Remarks on the External Commerce and Exchanges of Bengal, published in 1823;” but considering the estimates, that—that Author has had the boldness to submit—surely he could find no more difficulty in computing the chances of war or peace, and what may be the condition of the public funds, as well as of our Commerce, in 1834.

Consulting, however, our natural wishes, we are entitled to augur in favor of peace, whilst the present spirit and feature of universal trade pledges to us that Commerce shall never again be burthened by the fetters of monopoly. No; though England may never again become that vast Emporium of all trading nations which, during the French revolutionary wars, and our once restrictive systems, made her the great seat not only of Commercial payments, but of the expenditure of Government,—and, in short, *what* Linnæus emphatically said of London, “*punctum saliens in vitello orbis*”—the centre of life, energy, and enterprize in the social world.

But—say the advocates for the Remittable paper, it is these very

prospects which excite our attachment to the 6 per Cent.,—namely, because the *Principal* possesses the quality of being *available for a Remittance*, upon which we may rely, in 1834, whilst that of the 4 per Cent. does not.—But this confined view leads holders to a deception. The public are to recollect, that Government *do not pledge* the liquidation of their Remittable Debt in 1834, and so much the better for the holder the longer it continues unpaid. They only say, “the Notes of this Loan shall not be paid off within the remaining period of the East India Company’s present Charter,” and thereby solely retain the *option* of liquidation. But, should the exchanges and the value of money—European and Indian—in 1834, correspond with the rates of 1823—(when this debt was converted into its present denomination)—it would be unnatural to anticipate a payment in the one year, more than the other—or, admitting discharge, the height of improbability for a creditor to expect the realization of any considerable premium, on the sale of his bill, with the redundancy which would exist.

But—from these remarks I desire it may not be supposed that I consider the redemption of the 6 per Cents. in 1834 to be *impracticable* or *even improbable*. On the contrary, I perfectly allow that there are ways by which the measure may be accomplished; but I leave the public to decide on the probability of their adoption. And—no doubt—if peace shall last—or even exist in Europe in 1834, and the value of money be then as low as it is now, it would decidedly be the interest of the Company to borrow a Loan in England, at 3, for the extinction of their Indian 6 per Cents., and the annual saving of 3, would, in about thirty years, be equal to the reimbursement of the substituted debt—a period—shorter by 15 years, than redemption was arranged for in England so late as 1812, agreeably to a plan of Mr. Vansittart’s.

Nay, since it has been predicted, by a Calcutta Paper, that “the sun of the house of Alompra is shortly to set,” and tranquillity may again be looked for throughout our Eastern dominions,—perhaps Government might assign an annual sum of—say 40 lacs, for the establishment of a Sinking Fund, to accrue at compound interest until 1834, for the above purpose. By that time, a sum would have accumulated adequate to about four millions, which could then be applied to the object in view, and afterwards, the annual instalments be continued as before, with the addition of the interest accruing

on the redeemed notes. This latter item, by 1834, should produce £120,000 per annum, and the fund would, of course, be kept up until it was competent to extinguish the entire loan by purchases of the principal, at par, to such extent, at each time, as the accumulations would admit.

Through either of these means, the Company, no doubt, could redeem their 6 per Cents. at no very distant period, or intermediately convert them into debt of a different denomination, with advantage to themselves. But, admitting even *their intention to do so*, what benefit, let me ask, will arise to the holder—whom I shall suppose to be a resident in Great Britain. The height of his original ambition was, to secure a bill on London for his principal, and his object is realized.—But, then—it becomes a question, to which before he did not adequately advert—in what way is the capital to be disposed of? The very events which will enable the East India Company to accomplish their object, will, in all probability, deny to the holder of the old Stock, the opportunity of obtaining an equally profitable investment for his dislodged money.—And then, to his sorrow, he discovers, that it is not to industry and effort *alone*, that Mankind owe wealth—but to industry and effort *well directed*—that this object he has not studied—that his original idol affords him nothing but vexation and pain, and that the proceeds of his obtained bill will not procure for him a 4 per Cent. investment in this stock, on terms as favorable as the original subscribers.

From these observations it will be seen, then, that I imagine a false measure to be applied to the Remittable Loan, when in estimating the comparative eligibility of 4 and 6 per Cent. Stock for a present investment, the prospect of the latter is pronounced to be so very *superior*. But supposing, for the sake of argument, that its remittable property did give it an advantage, I must ask—whether the guaranty—avowed and implied—which attaches to the 4—is not fully an equivalent?—By the conditions of the 5 per Cent. unremittable Loan raised in 1823, Government, it will be remembered, are entitled to commence this very month, and to continue in every succeeding year, to liquidate one crore and a half of these obligations, amounting to 9 crores in the whole. It is, hence, only reasonable to conclude, that the late 4 per Cent. creations, as the least expensive to the State, will not be discharged before the ~~5 per Cent.~~ completely extinguished, which cannot be before 1831. During the

intermediate period, therefore, the demand for the 4 per Cent. promises to improve in an inverse ratio to the reduction of the 5 per Cent. Stock; and, moreover, at the redemption of the Remittable Loan, can assuredly be more cheaply accomplished by the continuance of the 4 per Cents., in as much as the previously withdrawing this stock from the market will enhance the value of the remainder, and the difficulty of the above object—So we may be said to possess, by implication, a guaranty, that in the 4, our *Indian Consols* will survive all other Loans.

Next, to elucidate the impolicy of remitting capital to England, I beg to refer the reader to calculation C. This calculation shows the relative value of the British and Indian Funds, and the result seems decidedly to urge to residents both here and in England, the expediency of retaining their property in the 4 per Cent. Securities of this country, even should the interest be remitted through commercial bills at $1s. 10\frac{1}{2}d.$ I assume this rate, because it is the very lowest to which the exchanges can fall, and as *no obligation* is imposed upon Government to continue a remittance of $2s. 1d.$ to the interest on the *5 per Cent. Loan*, there seems good reason to believe that the Home Authorities will confirm the grant of 2 shillings to the Dividends on this Stock, and disallow the superior exchange to the 5. To counterbalance, however, these apparent advantages, it has been said, that our Indian Funds are not equally available to the occasions of a Proprietor resident at home; but I consider the exception capable of being entirely removed at the option of foreign residents, and wish only that it were equally easy to obtain an indemnification to India for the disadvantages she incurs by these very *absentees*. “ Their capital may be usefully employed—it is true—if lent to others, who, by their industry or skill, render it productive, but the absentees themselves, in as far as they withdraw from the actual produce of a state, if not depriving it of an equal amount of the absolute constituents of wealth, take away a proportion from the general stock, without making society any compensation.”

Under every circumstance, therefore, the 4 per Cent. Loan would seem at present to be much undervalued, and so soon as present hostilities shall be brought to that speedy conclusion which is now happily looked for, the public will probably lament that backwardness which now opposes the acceptance of an interest for their money—decidedly more favorable than any, at present, to be derived from investment in any European security.

High as the 3 per Cent. Consols of Great Britain may appear at 95, it should be remembered, that, at a time, when public credit did not stand nearly so high as it now does, these very securities rose much higher. Rather also, than now remit Indian capital for investment in England, Annuitants, possessing property in England, would do well to lend it to India. And, so very high as all securities now are at home, I confidently expect, provided an Exchange of 2 shillings is sanctioned to the 4 per Cents., that capital will be consigned hither, and largely, for permanent vestment in Indian Securities. The Exchange, as I before observed, cannot fall below the bullion rate of 1s. 10½d., and, therefore, in cases of emergency, the parties might always rely on returns without the risk of the smallest sacrifice, and not only avoid the ruinous losses that would emanate from a termination of the present friendly alliances between European Powers, but, under such an event, by having deferred their remittances, the parties would then be enabled to profit both by an improved exchange, and much more favorable terms for effecting an investment in England.

Calculation C shews the comparative par between the 6 and the 4 per Cent. Loan, to be to a Resident, 135 : 5 if the Exchange remains at 1s. 10½d.; but, supposing the interest to be paid at home at 2 shillings on the 4 per Cent., then, as the latter advances *above par*, the gain will be in proportion to the acquired premium.

134 at compound 4 per Cent. interest yields in 9

	years.	190,78367
100	Ditto 6 per Cent. do. do.	168,9478
		<hr/> 21,77587

*

But here, again, it will be said, that we revert to the original question as to the state of the exchanges in 1834, and I have only to repeat, that, on this point, I will hazard no opinion. The public must decide on the probable issue between war or peace—the chief controllers on these occasions. If war should prevail in 1834, and England once more become a *dépôt* for the supply of foreign Europe with all sorts of Indian Produce, then again—as the commercial exchanges recover, it may, *à fortiori*, be expected that this Government will extinguish the Remittable Loan in some way or other. And—who knows—that terms may not be proposed which may prove not only more convenient to the public interests, but more acceptable to the holder of these Securities, *than a positive payment*. The one is as possible as the other: but, on the other hand, supposing peace, and the funds,

in Great Britain, to remain as unproductive as they now are, the Indian 4 per Cents. will *assuredly* attain a high premium, which must greatly enhance the comparative value of this stock.

It would, no doubt, have been acceptable to the public, had they obtained with the 4 per Cent. Loan, a positive guaranty against redemption before 1834, beyond which period Government cannot contract Loans—or any thing else.—Limiting it to 1830, allows the sceptical to infer its *intended* subserviency to the extinction of 5 per Cent. Stock, and as this object may be completed in that year, that the 4 will no longer be continued. But my former observations, I hope, on this point, will expose the fallacy of such an idea; and, referring to the measures so repeatedly taken of late years to lower Interest, both in England and India,—the diminished and still diminishing value of money in Europe, from protracted peace, the evident interest of this Government to liquidate their more expensive Loans, added to the circumstance, that public securities, before the commencement of the present war, did not produce much above 4 per Cent. interest,—that the Company's Bonded Debt at home was lately reduced to 3, and that the Mercantile Houses were borrowing at about the same rates, it could surely be no matter of surprise that Government should seize the opportunity to reduce their interest on the Public Debt, to, if possible, a lower standard, agreeably to the practice so repeatedly adopted at home.

If we refer to the period—which may be considered the origin of the national debt of England, or the time when it was resolved to consolidate certain Loans, and that all public funds, redeemable by law, carrying an interest of 4 per Cent. per annum, should be redeemed according to the respective provisos, or clauses of redemption, contained in the Acts of Parliament for that purpose, or be converted into an Interest or Annuity, not exceeding 3 per Cent. per annum, not redeemable till after (which I hold to be the meaning of this Government with regard to the redemption of their Remittable Paper) 24 years, we shall find that Bengal is only following the example of the mother country under similar circumstances.—We shall find, that the English Government was enabled to borrow, at 3 per Cent., money to be applied towards redeeming such portion of the national debt as carried a higher interest. All the Companies and the Proprietors of 4 per Cent. Stock were required to signify their consent to the proposed reduction, on or

before 3 months, and—signifying it—were allowed to receive the same rate for the 10 following, and from that time, for the subsequent 7 years, $3\frac{1}{2}$ per Cent., after which 3.—No part, too, of these debts (with a certain exception in favor of the East India Company) were liable to be redeemed till the expiration of the latter period, and the measure produced the effect of raising the value of the 3 per Cents. to 106 $\frac{1}{2}$ and 7 in the course of the year. And—this case I quote to support my persuasion, that, as this Government proceeds in the discharge of the 5 per Cent. Loan, which is optional, at the rate of 1 $\frac{1}{2}$ crore per annum, the Indian public may expect their production of a similar effect on the new 4 per Cent. Stock. Indeed, the result of the conversion of the 5 per Cent. Stock of Great Britain into a 4, in 1822, further strengthens me in the above belief; and lofty, moreover, as are the sentiments of a Nabob, who can command 12 *per Cent.* for his money—he will, perhaps, be humbled, when I tell him, that he who contented himself, in 1818, with a simple 6 per Cent. interest, in Government Securities, is this day a richer man than he who received the above exorbitant rate during the intermediate period. The fallacies which the Public are exposed to from the little attention they allow to these matters, have often surprised me, and I trust, that my new awakening them to a subject of such undoubted importance, will not be unacceptable. These remarks are the result of mature deliberation, and, on the same principle as I urged in 1823, the probability of 5 per Cent. Stock carrying a premium equivalent to its predecessor (which it did—as I predicted in three months, contrary to almost universal expectation,) I confidently expect—on the return of peace, that the 4 will equally carry a considerable premium. But, to simplify matters—I should be glad to see a consolidation of the Company's debt—and the longer it afterwards continues, the more beneficial it would be for all parties. For, seeing its creation in this country always accompanied by the means of extinguishment, I consider its endurance to be a public blessing, and, that in no way can a Government be so effectually established, as by making its subjects self-interested in its protection.

Such are my sentiments on the financial appearances of the present day, but should any prove to be unfounded on substantial reason, and incapable of correcting the errors complained of—in estimating the comparative value of existing Securities; I trust, at least, that my *motive* will protect me, which is merely to offer a few observations on

a subject so little studied—with a view of leading to more accurate judgments—than are now formed on the finances of India.

A

f.

Sa. Rs. 100 remitted Home at $1\ 10\frac{1}{2}$, yields 2250

—Invested in the 3 per cents. at 95 5, gives

95.5-: 3.: 2250 namely, an interest of 70d.

3

95.5-) 6750 (70

6685

65

Sa. Rs. 100 in the 4 per Cent. remitted at 2 sh.

$4 \times 24 = 96$

Gain by keeping the money in India, 26

B. Brought down 70

Sa. Rs. 100 in the 4 per Cent. remitted at $1\ 10\frac{1}{2}$ or

22.5 yields 90

Gain by the 4 per Cent. if 2 shillings

should not be confirmed, 20

C. REMITTABLE LOAN.

135.5:6-:100:4.427

years.

$4.427 \times 9 = 39.843$

22.5. or $1-10\frac{1}{2}$

896.475

135.5:100:100.73=8

73.8

30 or 2.6

2214.0

896.47—odd interest.

3110.475—produce of 6 per Cent. stock to a resident in India.

100 in the 4 yields 4.

$4 \times 9 = 36 \times 24d = 864$

$100 \times 22.5d = 2250$

3114

Deduct 6 per cent. 3110—475

Difference, 3.525 in favor of 4 per Cent.

On the state of our Indian commerce so intimately connected with the condition of both funds and exchanges, I shall subjoin only a few remarks. The aggregate amount of Imports and Exports for the last 3 years, both on the public as well as the private account *collectively*, including merchandize and treasure from—and to all parts, was as follows :—

IMPORTS.		EXPORTS.	
1821-22	Sa. Rs. 48053 036	1821-22	Sa. Rs. 114002.554
1822-23	—— 44155.967	1822-23	—— 111159.363
1823-24	—— 39367.657	1823-24	—— 102165.988

Of which the amount of the Hon'ble Company's trade was, from London, in

1821-22	Sa. Rs. 2595.698	1821-22	Sa. Rs. 20558347
1822-23	—— 1300.529	1822-23	—— 11518555
1823-24	—— 2095.199	1823-24	—— 13166518

From and to Great Britain, the proportions were as follows—in public and private trade,

1821-22	Sa. Rs. 16811284	1821-22	Sa. Rs. 46793536
1822-23	—— 18262369	1822-23	—— 42504344
1823-24	—— 16386566	1823-24	—— 43641702

The aggregate Import and Export of Treasure from and to all parts—in the years above quoted—was—

IMPORTS.		EXPORTS.	
1821-22	Sa. Rs. 22149437	1821-22	Sa. Rs. 12396395
1822-23	—— 17289382	1822-23	—— 5151966
1823-24	—— 13169214	1823-24	—— 12253039

And though it has been remarked to me that the above quotations will not allow the formation of a correct opinion as to the real extent of the exported produce, because Indigo, the principal commodity, is rated in these statements at the Custom-house valuation of only 100 Rs. a maund, (and I admit the truth of the remark, as regards this article,) yet if it is considered, that the import exchanges in general are taken at rates favorable to the revenues of India, that 30 per Cent. advance is first added to those from China, and that 10 Rupees governs the conversion of invoices into sterling money, the difference will not prove so great as is here supposed.

So soon as the accounts of this season can be completed, I apprehend it will be found, that both the Imports and Exports have fallen short of any of the above years, particularly the Hon'ble Company's importations. This latter result, however, is not to be

regretted, for I do hold it impossible for any Public Body successfully to compete with the activity of the present constitution of our Indian commerce.—Under a Charter of such unrestricted freedom—their Regulations ever will be, as Burke once observed of the Board of Trade, if not mischievous, of no use at all. And you will be convinced, says he, that I am not mistaken, if you reflect how generally it is true that commerce, the principal object of that office, flourishes most when left to itself. Interest, the great guide of commerce, is not a blind one. It is very well able to find its own way, and its necessities are its best laws. Its prerogative is utterly inadequate to the object, because all regulations are in their nature restrictive of some liberty, and, with the best intention, trade suffers infinitely from their injudicious tamperings.

I wish it, however, to be understood, that I *here* condemn “Regulations” only on account of the present Charter, and if, in reference to the prejudicial effect which the Company’s trade is alleged to produce over the interests both of individuals and particularly the service, an example should be required, let me instance the silk branch. At every station where the mulberry will grow, is a factory erected, and the manufacturers being placed under large advances for the public investment, the private adventurer is utterly unable to compete with such formidable rivals. Indeed, the manufacturers are in a way interdicted, by their pecuniary obligations to the Government, from supplying the exigencies of any individuals, and the practice is, in truth, restoring the very principles so much reprobated in former times, namely, the confining the winders of the raw material to the places where they could only be employed for the Company’s benefit—to the obstruction of the private trade and prejudice to the revenue. And whilst the Company may be thus said to be re-establishing their claim to preemption—from similar causes, arises, in a great degree, that deplorable depression in the exchanges we now witness.

No doubt—it may be urged, that the practice complained of is no more than the treatment the Company originally received from private merchants, when they used to advance so largely to their Weavers, and to give greater prices for piece-goods than had ever been given by the Company. But, as regards the interests of their Public service, the present practice is deeply to be regretted. It is subversive, too, of that unrestrained freedom on which the commerce of India has been declaredly constituted, and interdicting the

Private Merchant from the free purchase of his goods, causes that very revulsion of commerce, into the monopoly system, of which the Charter contemplated the removal—abridging Individuals, too, of part of their legitimate rights—but entertaining as I do, the highest sense of the justice of our Government, I am persuaded the evil only requires to be represented to insure the application of some equitable correctives.

How a remedy has been so long deferred, it is difficult to say, but the principles of justice are immutable, and incessantly exclaiming, “*sum cuique tributo*”—I do hope, that Government may be induced to grant the requisite relief.—To the maintenance of an efficient service, I consider it of the first consequence, that the Members of it should possess the power of making Remittances, for private accommodation, to a certain annual extent—and if Government should be unable to insure more favourable openings to Private Merchants, for laying in their investments on those terms of equality and freedom granted them by the Charter—through which means the extent of Commercial Bills may be increased, I should hope that the Company may be induced to assign over a part of the Proceeds of their Silks for the accommodation of their own Servants. It is the interest of the Company—to protect them from all inordinate expense; and it will be no answer to say, that the Proceeds of this Silk are already appropriated—that they are destined to meet the Political expenses of the Company in England—the liquidation of Pensions to retired Officers, &c. &c. for if they are, an additional Remittance should be provided to meet the exigency.

Had this Essay not already been extended to so great a length, I should have been induced to submit some of the reasons which conduct me to a belief that the opening of the India trade has *not* been productive of the contemplated advantages, and that it is one of that singular construction, which, in my mind, would prove more beneficial to all parties under certain salutary restrictions, to, in some respects, counteract that freedom which the present Charter so promiscuously bestows. To vindicate, however, the policy of exclusive privileges in these days, requires, I am aware, a bolder pen than mine—but I would ask those intelligent individuals who constitute the old established mercantile houses of this City, and some of whom have dedicated their whole lives to the study and practice of trade,—whether the removal

of the original restrictions have not involved greater calamities from extravagant speculations than any gain that has arisen to the parties collectively, who, from time to time, have so numerously embarked;—whether, since America has begun so largely to supply our Cotton Manufactures—Italy to provide the superior Silks, and the West Indies to interdict the free export of Sugar—the 3000 Permissory Tonnage, granted by the Act of 1793, would not now provide ample means for conveying all private investments to England; and whether the re-placing our Eastern commerce under partial restrictions, to the exclusion of foreigners, originally admitted on such improvident conditions, would not, at the present low freights, secure greater advantages—though in opposition to the fixed and uncontrovertible principle insisted upon by the great Mr. Hastings,—namely, that “commerce can *only* flourish when it is equal and free.” But whatever may be the decision on this point—I do, however, hold it to be an incontrovertible fact, that the successful advancement of the Honorable Company’s Commerce is wholly impossible, so long as the private trade continues on its present footing—and I should be happy to see the day come when the Company adopted the same means to provide their *whole investment* as they now do to lay in their consignments of Indigo.—For all parties, I am satisfied that this would be the most convenient place.—The Company’s saving would assuredly be great, and the Private Merchant might enter the market free from all the disadvantages they are now exposed to by Regulations—which, to all effects, are as mischievous as any monopoly.

One great cause for the present Superabundance of Capital in England I believe to originate in the great additional powers which have been given to production by the matchless ingenuity of its people in the construction of mechanical aids, and I am not entirely disposed to admit, that this circumstance is not more of an evil than the public may be prepared to allow.—The author, however, of that beautiful little fiction of Armata, pronounces himself to have been shocked when he heard of so great an outrage as this opinion. He said, he could have expected it only to have existed amongst the very dregs of a civilized people. But I submit, that production may, in this respect, be carried as much too far, as mercantile speculation has so improvidently been, since the opening of the trade; and I agree entirely with Malthus, that machinery is to be considered, *at present*, as the in-

creased energy of human exertion, under an increased operation of necessity to sustain income; but, on the same principle, that when the summit of wealth is attained, all things must have a tendency to decline, so it will be with manufactures, which produce supplies superabundant to the demand, and that the dislodged capital will not find, for the future, the same profitable investment as before the machinery was introduced.

In this little Essay I may be permitted, I hope, to congratulate my fellow Servants on the prospect of their being so shortly granted an annuity of £1000 to be computed at one moiety of its price in England, after an actual residence of 22 years. The terms are indeed characteristic of that benevolence which has always so pre-eminently marked the conduct of the East India Company to their Bengal Servants; and, regarding the principle on which this boon has been granted to the Civil branch—to be equally applicable to the Military department, as my Essay of 1823 more fully explains, in reference to the maintenance of an efficient service, I only trust the day is not distant, when we shall see this highly meritorious Body compensated also for the abridgements to which they have similarly been exposed by the altered value of both money and money's worth. Of the extent of the benefit which the Civil Service has obtained, some estimate may perhaps be formed from a fact I recently learnt,—namely, that during the last 12 years the annual number of Servants retired with fortunes, have amounted only to 5 and a fraction, whereas, the grant of an annuity to 9, promises to double nearly the former sum, and to accelerate promotion in a similar ratio.

At this time, when the Company at home have so liberally evinced such a paternal regard to the true interests of the Service—it is gratifying to witness the equally ardent and commendable desire which the local Government have recently shewn to diminish those pecuniary embarrassments which a series of untoward events has partially introduced into the Civil Service of this Presidency. The contemplated appropriation of a Loan to the accomplishment of this object, can only be recognized in the above light. It is relieving many from embarrassment that—before—appeared insurmountable—and, whilst Government are thus rendering the Services of the Parties referred to, doubly valuable to the exigencies of the State—they are renewing in them—the almost obliterated hope of ultimate independence.

At such a moment, then, let me appeal to the Service—whether it does not become imperious on them to second the views of Government, to the utmost extent which their own resources will admit.—The reasonable assurance which every Member now possesses of being enabled to retire—if he is commonly prudent in the management of his concerns—with a comfortable independency at the expiration of a Service of 22 years—demands him to enquire how this cheering prospect is most likely and effectually to be accomplished—particularly, at a time like the present, when Peace—so long invoked as the source of every blessing, has relaxed the springs of Commerce—by opening the stream of competition into our foreign trade—by limiting the demand of the home market—and by effecting, through various other means, that general reduction of income which consequently retards the realization of an ultimate fortune.

Such a state of affairs must give, too, additional value to whatever expedients are concerted by which the pressure of these inconveniences may, in any degree, be lessened—and any Institution, originating in pure principles, and dictated by a reflective understanding, has, at least, the best chance which it can have of being wise in its contrivance—permanent in its duration—and solidly advantageous in its results.

Innovation of any kind—at least—if it is an innovation productive of important consequences—has to encounter opposition.—But there is nothing injurious in all this. It is a wholesome conflict. It is well that Gold should pass the Refiner's fire before we are called upon to pronounce upon its intrinsic value. It is well known, that every novel establishment, of whatever kind, should have a keen glance and a searching spirit to contend with, and if it cannot bear up against the scrutiny, we are well rid of it. But if it can rise superior to it, will then receive the public sanction and private confidence which it has proved itself to deserve.

It has, then, occurred to me, that if the present Government Agency—(originally established upon motives of the purest benevolence, at a time when a like reduction of interest on the public debt induced a declension from 8 to 6 per Cent.) was new modelled—or what would be still more advisable, an entirely new Agency instituted, to consist of one Member from each branch of the Service, and of its own nomination,—such an Establishment, if conducted on a spirit of

enlightened prudence, might be made subservient to purposes of the utmost utility.

The principal objects of the Institution would be to receive and manage the Funds of the Service—to receive and lay out on Loans and Discounts to the best advantage, even the *monthly* savings of each individual—for which there is now no adequate provision, except at a most reduced interest,—to effect Remittances of all money required by Members of the Service at large, and in place of observing any distinctions as to the rates of interest on *long loans* or *open accounts*—to grant to all Constituents equal advantages—pro rata the Capital embarked, by means of a general dividend to be made at the close of each year, out of the profits of the concern—similar to the practice and usages of a Joint Stock Company.

Supposing, too, an individual to be desirous of making a Remittance to England to the extent of 10,000 Rupees, and that the object of the party promised to be most successfully accomplished—by being effected through *produce*—he would be required to signify his wish at the commencement of the season most favorable for the purchase—and whilst, on payment of the money, he would be allowed a Bill on the Correspondents of the Concern in London, for 3-4ths of the amount at the customary usance—the remainder would be discharged to the order of the Remitter, on the disposal of the goods—subject only to a most moderate commission on the gross proceeds of the sale to entirely accrue to the use and benefit of the general Remittance Fund. But, if preferred by the Remitter—it would, of course, be at his option to effect his Remittance in Government or other Bills to be purchased by the Agents.

Upon the same principal, too, that the British Government, employs the Bank of England in the management of its concerns, it is conceived that this Government might, with equal advantage, entrust the projected concern, with the management of the duties now entrusted to the Government Agents (if an arrangement can be made for their indemnification) as also, to conduct both the details of the business likely, to emanate from the grant of the projected Annuity and Furlough, and particularly from the grant of the Loan in liquidation of the Debt on which Insurance, &c. must always be kept up the disposed of the Company's Imports—now conducted at expense—as also the Sales of all Stores—Opium and Salt. In short, the sources on which an Agency of this sort might most advantageously

be employed to the benefit of the Service, are too numerous to be noticed in my present limits; and I will only add, that the proposition is intended to embrace all descriptions of business, likely to conduce to the Interests of the concerned, even Auction Sales, and the commissioning, if required, all consumable supplies from England or elsewhere, so as to place individuals in possession of the necessities of life at the lowest expence. In short—the real object of the Plan, it is to make all expenditure reproductive to the benefit of the Service—to the utmost possible extent—and—even though I may be obliged to allow hereafter as large a commission as I am now charged—on the sale—say of a house—still to contrive that the largest possible portion shall relapse into a Fund in the profits of which I am ultimately to share.

The Directors of the Institution it is proposed to restrict from entering into any commercial speculation on their separate account; and as duty without an interest is apt to relax, their labors are proposed to be remunerated to a certain extent by commission, and above the defined limit, all surplus to accrue to the concern. No Servant, moreover, should be eligible to be a Director who has not been 12 years resident in India, and should the Plan of which I have now given a brief outline, meet with general support it is computed, that a salary, superior to most situations in the service, may be awarded to 3 Directors at a most trivial expence to the service at large. In them—the most unimpeachable integrity—energy of character, and practical good would be indispensable qualifications—and in no service, I am persuaded, can such characters be more easily found than in the service of the East India Company,—men, in short, superior to all temptation; who will be scrupulously faithful in the discharge of the important discretionary trusts with which the establishment would be intrusted, and where covenanting with each other for reciprocal faith in the conduct of all transactions, would be placed on the same footing towards their constituents, as the most eminent banking establishments in London.

I desire, however, that it may be distinctly understood, that this is not the project of a speculator aiming at the augmentation of his own fortune, holding forth an allurements that might divide with him the fortune of others. His present situation in the Service renders him superior to all such suspicion—and he is exclusively prompted in the measure for the good of the Service to which he has the honor to

belong, and in support of which he is confident, that an appeal to this Government would not be in vain.

To the Agency, a Banking Establishment might be added with eminent advantage, and the Managers, being true and steady to their trust, might depend on the confidence of the Service by whom they would originally be appointed. On this proposal I have communicated with two of the most eminent Banking and Commercial Houses in London, whom I would propose to be the Correspondents of the Calcutta Establishment, and they entirely concur with me in opinion, that an Institution of the sort would be highly beneficial to the Members of the India Service.

The foregoing outline will serve to explain generally the plan and method of the projected Establishment—and to manifest the principles by which it is to be conducted.—But it is fitting, perhaps, that I should enter a little more into detail—concerning the Rules and Regulations by which the Directors and Constituents are to be mutually governed.—Of what may be the probable profit likely to arise from the already enumerated sources, I will not hazard an estimate—but let the Service submit, to those who are conversant with the several branches, whether an Institution of the above sort, if established on the projected principle of reproductive Agency—would not produce a net dividend of—say 6 *per Cent.* on the Capital embarked—and, if so, then *adding to this the Interest of the Company's Paper*—each Proprietor will realize Ten.—In this Prospectus, I wish to assume no extravagant inference—and will allow that 10 *per Cent.* is only to be made. But, recollect that this is 6 more than any real or public Security will allow, and for all this, I shall be most wonderfully disappointed if a clear dividend of 25 *per Cent.* may not be realized, with equal confidence. No other body can in the end successfully compete with this Establishment. The Profits of another Institution may be made *reproductive to the Partners*; but, none other can make their gains *reproductive to their Constituents*, except the Service.

DUTY OF DIRECTORS.

It will be the Duty of the Directors to the utmost of their power, by all lawful ways and means to promote the Interest of the Association—to support and maintain its body—politic or fellowship—and the liberties and privileges thereof—and faithfully and honestly to demean themselves, according to the best of their skill and understanding, and

to be indifferent and equal to all manner of persons.

And for the better ordering and managing the affairs of the Institution, to hold and assemble General Meetings of the Constituents, to meet as often as they see cause—and to act according to such Laws—Orders—Rules and Directions, as shall from time to time be made, and given by the General Meetings.

It will also be the duty of the Managers to call a General Meeting twice in each year, for considering the State and Condition of the Concern, and for making Dividends of all the Profits—and it will be the especial duty of the Directors to lay before their Constituents, all such Accounts and Papers, as may enable them to judge on the above points.

The Directors will be required to regulate and control the charges of Management—and to suffer no charge to be made on that account—but what comes strictly under that head.

DUTY OF PROPRIETORS OR CONSTITUENTS.

Constituents by a Majority of Votes to have the power—provided they at the time possess an interest in the concern to the extent of 5,000 Rupees—to make and constitute such Bye Laws and Ordinances for and relating to the affairs of the Institution—as to them shall seem meet,—so that such laws be not repugnant to the laws of the land—and be confirmed and approved by the requisite authorities—to call General Meetings twice in each year to consider the State and Condition of the Concern—and to make the Dividends,—to call upon the Directors for a production of all such accounts as may enable them to judge on those matters—and, also, for the accounts of Profit and Charges of Management, for the preceding half year, to enable them to declare the Dividend.

Any 10 Constituents holding Sicca Rupees 10,000 Interest—may, at any time, require the Directors to call a General Meeting—or, in default of their calling it, may call it themselves—and which Meeting shall be at liberty to do and dispatch any Business relating to the Management or Affairs of the Concern—and to hear and debate any complaint that shall be made against a Director or Directors for the mismanagement of his or their respective Offices—and if such Director or Directors shall not clear him or themselves—of such complaint—to the satisfaction of the major part of the Members of the Institution—in the said Meeting assembled,—that then, within 10 days, another General Meeting shall be held finally to determine the same by a

majority of votes, who may remove all or any of the Directors, and elect and choose others in his or their rooms.

The Constituents not to have the power to direct the Payment or Application of any Money belonging to the Concern—to any other purpose whatever—but to the making of Dividends—but they shall have a right to scrutinize into the expenditure of the Directors, and to control the same—and to take care that none of the Profits of the Concern are applied to any other purpose than to the making of Dividends, and to what may come strictly under the head of Charges of Management.

Four General Meetings shall be called by the Constituents in each year—and 20 days notice to be always given in the Calcutta Government Gazette, prior to the holding of the said Meetings.

DUTY OF THE DIRECTORS AND CONSTITUENTS INDIVIDUALLY.

It shall be the duty of every Director and Constituent to be faithful to the Concern—and at all times when present or required, according to the best of his skill and understanding—to give his advice—counsel and assistance for the support, interest—and good Management of the Institution—and to covenant to be faithful, honest, and true to each other—to promote the good of the Concern by all lawful ways and means, and, with all his power, to enforce an obedience to prescribed Laws—to suggest any measure which may promote the above objects—and to covenant *upon Oath* for the observance and fulfilment of the duties herein severally referred to.

Another Branch of Business which it is conceived may be added to this Institution, with eminent advantage to its general interests, is Insurance—to cover the risk on all consignments which the Service may make to London, in furtherance of Remittances, as also on Life. And—as it is, of course, desirable to inspire into the public mind the most unequivocal confidence in the solidity of such an Institution, it is for this purpose, and in order to meet the expenses of the Agency's *first* establishment—proposed to form a Joint Stock to be raised exclusively by means of Subscriptions—from the Service at large.

This Stock is not to exceed One Crore & Forty lacs of Rupees—a Million and 400,000 Sterling—and subjoined is a Scale of the Maximum Number of Shares computed at 1000 Rupees each, to which each Member's Interest is proposed to be limited agreeably to present Rank—

and any declining now to subscribe will—for the future be debarred from entering into the concern—except by the Purchase of Shares from the original Holders, which it is computed—in 5 years, will carry a Premium of *at least* 100 per Cent.

The above calculation assumes on the subjoined data, that the assigned Shares will yield One Crore and Forty Lacs of Rupees—and under the proposed Security—which the Subscribers will possess for their Money—it is conceived that this sum may be raised with the utmost facility.

But allowing the Subscriptions to amount only to *One Crore*—this Capital as received—it is proposed immediately to invest in 4 per Cent. Stock—and supposing the Loan to be closed before its realization, it is hoped that in support of an institution—having exclusively for its objects such laudable and beneficial views as the welfare of this Service—Government consequently, and in consideration that these Funds will place at their command the means of discharging the (1825,) Crore and a half of the Unremittable Loan, now payable, may, in return for the accommodation, allow to the concerned Proprietors—Notes in the 4 per Cent. Loan for a corresponding amount—The data above referred to are as follows :

CIVIL SERVICE.

250 Senior Merchants, 16 Shares, at 1000=	40,00,000
50 Junior Ditto,..... 10 ditto, ... at do. =	5,00,000
80 Factors & Writers, 5 ditto, ... at do. =	4,00,000
<hr/>	
From Civil Service, Sicca Rupees, ...	49,00,000

ARMY.

300 General and Field Officers, at 10 do. =	30,00,000
540 Captains, at 5 do. =	27,00,000
800 Lieutenants, at 2 do. =	16,00,000
300 Cornets and Ensigns, ... at 1 do. =	3,00,000
<hr/>	
From the Army, Sicca Rupees, ...	76,00,000

MEDICAL BRANCH.

100 Superg. Surgeons & Surgeons, at 5 do. =	5,00,000
150 Assistant Surgeons, at 2½ do.... .. =	3,75,000
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Sicca Rupees. 8,75,000

ABSTRACT.

Civil Service,	Sicca Rupees,	49,00,000
Army,	76,00,000
Medical Branch,	8,75,000
Marine Ditto,	1,00,000
Ecclesiastical Ditto,	1,00,000
Law,	4,25,000

Capital Stock,..... Sa. Rs. 1,40,00,000

By these arrangements, the Capital of the projected establishment would be adequate to undertake most extensive insurances,—of all kinds—and not only be placed on the most unexceptionable security, but assured, at all events, of an annual interest of 4 per Cent. to be discharged half yearly, independently of the dividend to be made annually out of all profits accruing to the General Fund, but which it is proposed shall not be divided, *for the first time*, till the expiration of the first 5 years subsequent to the foundation of the institution.

Making the establishment its own insurers must materially increase the productiveness of the “General” or “Remittance Fund,” as one or both shall hereafter be determined on,—and some notion may be formed of the unnecessarily high rates of the Calcutta Insurers, from the following Extract from a Letter I this day received from London:

“We regret your Insurance having been made at 4 per Cent. as here it would have been done at 50s. had you intimated to have had it effected by any Ship or Ships as Interest might appear.”

This Letter is from one of the first Houses in London, and had the Insurance been effected at Home, a saving of 30 Shillings would have been effected. Supposing this difference, then, to accrue to the remitter, it would nearly yield one half-penny more on an exchange of 1s. 10½d. or adding it to the General Fund for distribution at the close of the year, the service may calculate for themselves how very extensive would be the accession of one half-penny *on every rupee worth of* produce remitted.

The separate branch of this department constituting the Insurance on Life, will, it is presumed, be competent to effect, to the entire satisfaction of Government, all Policies which will be required as collateral securities or indemnification for lapses in any of the parties to whom the projected Loan may be advanced, in liquidation of Debt, and ge-

nerally to undertake, at the most moderate premiums, every other risk of this description which the other branches of the service may have occasion separately to cover, in favor of private creditors. And, from the fact, that the average casualties on the Civil List, during the last 13 years, have only amounted to 2 per Cent. it will be seen that this species of risk is not so great as many are disposed to believe.

The only other branches of business proposed to be included in the projected scheme that I shall here mention are the Agency of the corresponding Establishments at Home—their Shipping Concerns—the conduct of the Sales of their Commercial Consignments to India, and Printing its own Papers.

The principal and indeed a very important branch of business anticipated from the first of these heads is the management of any European Funds that may be expected to be transferred for Investment in this Country—and considering the rising price of Public Securities in Great Britain—that “in their present state, a well “secured and moderate Rental gives, by the latest advices, 30 years “purchase”—it is not unreasonable to expect, under the view I before took of the Finances of India, that very large sums may, ere long, find their way to this Country.—If so, it is anticipated that an Establishment of this sort, quite independent of Commercial speculation, would be eminently useful in conducting the affairs of such Property—and by obtaining the sanction of the Parties to draw against the Funds, from India, by depositing the Money in the hands of the Establishment’s Bankers in London—the Bills could be negotiated to greater advantage to the parties in this market—than by a remittance in specie to Calcutta.

2ndly. That—as the very respectable House, it is proposed to employ in conducting the Commercial Affairs of the Institution in London, is disposed to make any Shipments to India—on their *exclusive* account—which may be advised by the Calcutta Establishment—it is in consequence to be expected, that considerable emolument will arise from this source, as also from the Management of their Ships of which they are extensive Owners.—These gains will merge, likewise, into the General Fund, so as to enhance the Annual Dividend.

As before observed, innovations of every kind, at least if they involve important consequences, must anticipate opposition. But, I do not believe that any can, in this instance, be raised of an insurmountable nature. The objections I have already heard started, are—

1st. That the proposed constitution will bring the institution within the denomination of a *trading Copartnership*, from which the majority of the Civil Service, and the whole of the Army are interdicted by Act of Parliament. If this be the case, the exception must apply *exclusively* to the proposal of eventually effecting *Remittances* by means of *Produce*. But surely there can be no good grounds for its entertainment. The legislature, I apprehend, only contemplated to interdict the parties referred to, from negotiations personally with people over which in their official character, they might possess undue influence in commercial transactions. But, supposing myself to be an interdicted Servant, and having a remittance to make to London, which I desired my Agent in Calcutta to effect, for me, to the *best advantage*, is it possible that I could be convicted of *trading* under the Act alluded to, *merely because* my Agent chose to negotiate the transaction through the medium of *Produce*, and to allow me the superior exchange it yielded over Bills? .

To suppose that this enactment extends to such cases, seems to be giving it a construction which I cannot imagine to have been contemplated by the Legislature—but, at all events, as, in the projected Establishment, it is intended that the Directors shall *confine* their Purchases to the *Calcutta Market*—no apprehension can be entertained of their using any improper influence in the Mofussil, or elsewhere, or—*if it should*, my Correspondents in London being *already* willing to share *half* the risk in any such Consignments—I am persuaded that I can still make it worth their while to relieve the Institution of the remaining *Moiety*—and—thereby *totally* to preclude the possibility of its being considered in the above light.—To the Service a favorable remittance is of the utmost consequence—and the accomplishment of this object must not be separated—from the proposed plan—if possible to avoid it.

The second objection is suggested by the difficulty which would arise in nominating the Directors by the votes of the Service at large.—Of this mode, it is suspected that Government might disapprove.—But—here, the remedy is easy—Let 3 or 4 Members of the Service, in whom their fellow-labourers entertain confidence of their skill and understanding in such matters, start the Establishment of the projected Institution; and they may reasonably look for every encouragement in the end—though in the beginning, they may find the majority of their constituents to create.—For the Senior re-

tiring Director it is proposed to reserve a seat in the London House, to be filled up from the Calcutta Establishment, by Seniority, as a vacancy may occur, from the death or resignation of the Indian Member.

3dly. It has been suggested to me, that the proposed establishment would militate against the interests of the Mercantile community of this City, and this is a point to which I have given the most liberal consideration, but to them I beg to apply the words I lately had occasion to use in planning another system of improvement, which involved equally important considerations,—and I am persuaded that no voice will deny to me the equity of the maxim that “Where permanent and extended advantages can be procured by the co-operation of a whole community towards general prosperity—that object has always been held more than sufficient to compensate for what each must relinquish to attain that end.”—For some years past, chiefly through the difficulty of employing Capital, either so extensively or so advantageously as formerly—the Houses of this City have, I am aware, been necessarily debarred from allowing to their Constituents the same interest on deposits, as in former years.—This change, however, has been produced by that natural course of events, over which a Mercantile Establishment can have no control.—And I do not hesitate to acknowledge my own thorough conviction and belief, that even the present low interests of 3 and 5 per Cent., and the equally depressed exchange of 1s. 10½d. are, with reference to the value of money, as much as any House could afford to allow, in justice to itself.

But let me submit in what period, can a Member of the Company's Service—(restricted to Agency for the employment of his savings on these terms,)—anticipate possible retirement from a climate which sooner or later corrodes every European constitution, and can he equally afford to allow a commission of 2½ per Cent. on the collection of the Rents of Landed Properties—when a Purchase will scarcely now yield 6 per Cent. as when it did 12, on the original outlay? To suppose that the Members of the Service can set down contentedly, under such prospects, is crediting it for more virtue than commonly falls to the lot of man—and, however ungracious the task,—the present is unquestionably a crisis—which demands every one to consider the possibility of accomplishing the object contemplated in this Essay. The difficulty or unvidiousness of the task should form no part of their consideration. They ought to risk odium if they succeed, and contempt if they fail. *My* excuse is my own conviction of the abso-

lute urgent *necessity* there is, that something should be done, and under a persuasion that no House in this City, can assist us in the contemplated way, it would be injustice to suppose, that they could for one moment wish to cut off from our interests to forward theirs, and I have therefore proceeded to this salutary work with much less embarrassment than may, perhaps, be supposed. The proposed plan proceeds entirely on the reproductive principle of charitable Loans. And I consider it to be one of those valuable branches of Political Economy which emulation and competition makes the soul of perfection,—which encourages Industry—creates new property and gives life and energy to all the riches of the State. In no other way, can property be made so rapidly productive. And surely it would be unreasonable to expect, that if the arrangement can be carried into effect, that the Service should forego so honest an acquisition—nay one, indeed, which promises to be so contributory to the interest—the credit and the strength of our Government—as the making its constituent Members the watchful guardians of their own property and interests.

I am fully aware of the old saying, that a good cause may be injured by a bad advocate ; and I am truly sensible of my own defects. In glancing my eye over the foregoing observations, I perceive a redundancy of words which might have been spared, with a want of proper order and connection ; but my time will not permit me to make further corrections. Besides, I am of opinion, that it is better to be prolix, than to be obscure ; and as a very intelligent writer has observed, that the genuine dictates of the mind, as they present themselves, on subjects like the present, may be *better* than a more studied and methodical arrangement of them.

Sum cuique.

Calcutta,
March 31st, 1825.

T.

FINIS.

REVIEW

OF A PAMPHLET ENTITLED

“REASONS FOR THE ESTABLISHMENT”

OF A

NEW BANK IN INDIA.

BY AN INDIA MERCHANT.

GLASGOW:

PRINTED BY R. MALCOLM, 90, BRUNSWICK STREET.

MDCCCXXVI.

REVIEW, &c.

THE promoters of the Bank of India have at length brought their scheme before the public, and issued a pamphlet in its vindication, entitled, "Reasons for the Establishment of a New Bank in India, with Answers to the Objections against it." This publication, intended to win us back to our old system of Indian policy, is the production of a gentleman of no mean celebrity, and is an important document, in as much as it may be presumed to embrace the strongest arguments which the Bank supporters can bring to their aid. It has, moreover, made a favourable impression on the Editors of some of the Liberal London Journals in the Ministerial interest, who can discover nothing vicious or exclusive in the Mercantile Agency, Revenue Collecting, Government Treasury, Banking Institution which it defends, and have arrived at the conclusion, "*that the more the Merchants of India cry out against the scheme, the more is it entitled to public patronage and support,*" overlooking entirely the fact, that the Merchants of India are not an exclusive body, and the ground of their opposition, viz., to preserve the advantages of the India Trade open to the public, by preventing that country being again brought under the influence of a powerful corporate and privileged body, whose competition would be fatal to individual enterprise. Support, however, proceeding from so very unlooked for a quarter, will doubtless stimulate the projectors of the Bank to further immediate exertions to obtain their Charter from the Crown, and hence the danger of the Commercial community, connected with India, remaining longer quiescent, under the belief that a project so preposterous will never receive the sanction of the Legislature.

The pamphlet under review opens with a school-boy lesson, extending through eight pages, on the advantages of Banking, conducted on sound and judicious principles. These advantages, it is

needless to say, are fully admitted, and have never been denied by the opponents of the Bank of India, the question at issue being, whether or not the construction and principles of the latter are sound and judicious. The 9th and 10th pages are filled up with the plan of the Bank; and from the 11th, we learn that its promoters are unprepared to anticipate that either the Local Government of India or the Company will throw any obstacles in the way of an Institution of such admirable construction as the Bank of India. "It would be equivalent to supposing, that they were averse, from "what must obviously conduce, and that in no ordinary degree, to "the improvement of India;" and to make its adaptation to the peculiar circumstances of that country as obvious to these authorities, and the British public, as it is apparently to themselves, they proceed to state, page 12, "In fact, there are only four Banks in India,— "one at Madras, one at Agra, and the Banks of Bengal and Union "in Calcutta, the two last with a paid up capital of £1,250,000, "but their constitution is in various respects defective." In what respect their constitution is defective, the Bank promoters do not attempt to shew, farther than that neither have subordinate branches in any part of the country. The want of branch establishments is, therefore, pronounced a defect, yet such are now condemned, by good authorities on Banking in this country, in as much as they give rise to an unfair distribution of Banking profits—make provincial interests subordinate to those of the capital cities in which the parent bank is established—greatly weaken the security against internal mismanagement—open facilities to fictitious transactions for raising money, and causing pecuniary distress, arising from local circumstances, to become more generally diffused. Our own country presents, at this moment, a striking illustration of the advantages resulting from independent Banks. Money, in London, is scarce and greatly enhanced, while in Scotland it is neither, nor ought it to be so, for that country has had no concern with the foreign pecuniary transactions and other home speculations which have led to the scarcity in the Metropolis. Now, if the whole Empire had been linked together under one great Banking Institution, the pressure for money would have been generally diffused, and the manufacturing operations of Scotland interrupted, and this section of the country, consequently, been made unjustly to suffer embarrassment which it had not been instrumental in producing.

With respect to the *other defects* of the Calcutta Banks they will be best appreciated by the following comparative brief analysis of their constitution, with that of the proposed Bank of India, the

latter made up from the plan, prospectus, and other documents, which have emanated from the promoters:—

BANK OF INDIA.

Charters of Incorporation from the Crown and the Indian Government for Great Britain and India, and limiting the liability of the partners.

Proprietary, three-fourths Foreign.

Supreme Direction, Foreign, and centered in London, 12 months' communication distant from the scene of action.

Only 25 per cent. of the capital paid up. The residue payable by instalments, not exceeding 10 per cent., when the Directors choose to call for it.

Notes a legal tender throughout British India in payment of Customs, Duties, Land Revenue, and other Taxes. When payable, and under what security, not yet determined.

To act as the Government Treasury, to collect and disburse the Revenue, to transact all the Government financial business.

To supply the Government with money. To contract with the East India Company to remit the Home Disbursements, amounting to more than three millions annually, which disbursements are remitted in merchandise. To traffic in Foreign Exchanges. To buy bills drawn against the proceeds of merchandise, shipments out and home; in other words, to advance on such shipments.

To Incorporate rival Institutions.

Head Establishments at Calcutta, Madras, Bombay, Canton, with subordinate branches at the provincial cities, and thus placing the whole of British India under its dominion.

BANK OF BENGAL.

Charter of Incorporation from the Indian Government for India, with limited liability.

About one-seventh of the Stock held by the Indian Government, and the rest by the community.

Direction, Indian, six chosen from the resident merchants, and three from the servants of Government.

Capital paid up, and may be extended to an indefinite amount, when the increase can be beneficially and safely employed.

Notes a legal tender for Customs Duties and Land Revenue to the extent of two-thirds in the Bengal provinces only below Benares. Payable on demand, and security lodged with Government to 1-4th the amount of its issues.

Acts in neither capacity.

Has no such arrangements with the Government, nor allowed to engage in any description of business except what is strictly Banking, and does not interfere with the business of the Mercantile Houses.

Not allowed.

Has no branches at present, but has the option, by its Charter, of establishing them in the Bengal presidency when the Local Government and the Directors consider it advantageous to do so.

UNION BANK.

No Charter. The Court of Directors refused to grant one, though the Bank is upon the much approved Joint Stock plan adopted in Scotland.

Proprietary, Indian community.

Direction, Indian, and chosen from the native and European community.

Capital paid up, and may be extended to an indefinite amount, when the increase can be beneficially and safely employed.

Notes not a legal tender, and payable on demand.

Ditto ditto.

Ditto ditto.

Ditto ditto.

Has no branches at present, but may when they are considered advantageous by the proprietors.

Now, I would ask the English public which of these three Banks is the most defective in constitution? Farther comment or proof would surely be superfluous, to shew how unfounded is the assertion quoted from the pamphlet.

The promoters of the Bank of India say, pages 13 and 14,—

“In fact, the largest portion by far of the Foreign Banking business of India was transacted, until very recently, by the great agency houses established in Calcutta, Bombay, and Madras, but principally in the first. Most of these houses were founded by retired civil servants of the Company, and adventurers from Europe, without being possessed of considerable capital. Besides being Bankers, they were Merchants, and sometimes, also, Indigo Planters, and Ship-owners; and to this vicious combination, the ruin in which so many of them have been involved may be primarily ascribed. Their credit being high, large sums, principally consisting of the savings of individuals in the Company's service, were deposited in their hands, which they engaged to pay a high rate of interest for; but instead of employing these deposits as Bankers in England would do, or as the proposed Bank of India would have done, had it been then in existence—in the discount of approved bills at short dates, in the granting of cash credits, or in the purchase of Government securities, readily convertible into money—they employed them in all manner of hazardous speculations, advancing very large sums to Indigo Planters, exporting goods to Europe, China, &c., either directly, on their own account, or indirectly, by lending largely on the security of the goods to those who did, becoming owners of Indian shipping, &c. Many of these speculations turned out exceedingly ill. The cultivation of Indigo was so much increased that its price gradually fell to a level, at which it would not pay the expense of production; so that very heavy losses were sustained, and much capital sunk by the planters, and those by whom they had been propped up.”

The lapsed Agency Houses of Calcutta became Indigo planters, or Proprietors of plantations, and Ship-owners, in the first instance, by advancing money to the planters and ship builders, under mortgage of the estates and ships, which, by the subsequent foreclosure of the mortgages, fell into their hands, and why they became shippers of produce, and advanced money upon the shipments made by others, was the inevitable result of their working Foreign Exchange Accounts. They sold their drafts upon their correspondents in London, to parties remitting funds to Europe, and these drafts they were consequently under the necessity of meeting, by buying and remitting the Bills of others, drawn under the security of produce shipments, or, when these were not obtainable, by merchandise operations on their own risk. Now, this combination of the business of Merchant and Banker, denounced by the promoters of the Bank of India, as vicious, and to which they ascribe the ruin of the Houses referred to, is precisely that which they propose to embark in. Here are their own words:—

Page 20. “Those engaged in the raising of Indigo, Silk, Sugar, Cotton, &c., all require advances to enable them to prosecute their business. Formerly these advances were made by the Merchants, and when their speculations failed, those who had deposited money in their hands lost their all. But when a Banking Company, with large capital, and properly conducted, comes into the field,

this will no longer be the case. The Bank will discount the Bills of Merchants and Planters, who will thus be assisted with the funds required to carry on their business till the produce of their crops, or sales, comes to hand."

Page 25. "The success that has attended the efforts of the indigo planters since the attention of Englishmen was first turned to that department in 1783, is conclusive evidence of what may be expected, now that they are entitled to apply themselves, not to the indigo culture only, but to all sorts of industry carried on in India. The Bank of India will be of the greatest consequence in assisting the efforts of those engaged in such undertakings. Rich individuals will not often engage in the departments in question, at least till they are more advanced than at present. Most of those engaged in them will be for a good while to come, as they have been in time past, bare of capital. But the Bank of India having large deposits, and a large capital to employ, will be liberal of its advances to individuals of intelligence and industry, employed in the cotton culture, the indigo culture, the silk culture, and so forth, and to the Merchants by whom such persons may be supported."

Page 10, Art. 8. "The purchase and sale of Bills of Exchange, and the granting of drafts and credits by the establishment in London, on the several establishments in India, and *vice versa*."

The inconsistency of the foregoing extracts, when placed in juxtaposition with those from pages 13 and 14, is very glaring, and affords conclusive evidence that the promoters of the Bank of India are either ignorant of the nature of Indian commerce, or otherwise, that their inconsistency is the result of an attempt to conceal from the public the real character of their Bank, viz.:—that it is to unite commercial agency with Banking.

The promoters will scarcely venture to assert that when remitting the three millions yearly for the home disbursements to this country, and working their other exchange operations with London, China, &c., they will be content with the mere personal security of the parties drawing the bills, and will limit themselves to the same security when making advances to Indigo planters, native Riots, or Farmers, and others, for a period extending over twelve months—say "until their crops are realized."

Page 15. "Now, it is material to observe, that no new Banking establishments, with the exception of that of Agra, have been brought into the field to fill up the mighty void caused by the failure of the Houses referred to. The Bank of Bengal and the Union were both established long since, and as they, even when assisted by the establishments that have failed, were notoriously incompetent to transact the Banking affairs of India, they must be infinitely more so at present, after so much havoc has been made among the old Agency Houses."

The above statement is very incorrect. The void caused by the failure of the six old Houses has been filled up by the establishment of more than double that number of new ones, and by others greatly extending their business. All the concerns which these Houses carried on (those ruinously bad excepted) have been taken up by their successors, and the East India Company's immense Commercial undertakings besides; a convincing proof that the

capital, and enterprise, of the Mercantile community of India is commensurate to the profitable employment for it.

The Union Bank of Calcutta (organised in August 1829) had scarcely been in operation, when the failures referred to commenced. This establishment was started by the Commercial community, on the plan of the Scotch Banks, and under an express understanding with the only Agency Houses, Palmer & Co., Alexander & Co., and M^cIntosh & Co., who had Banks of issue, that their notes were to be withdrawn from circulation. In short, the object of its establishment was, to replace the private Banks of issue by a public one on a principle experienced to be sound.

The Union Bank applied, in vain, to the Court of Directors for a Charter for India, and the same privilege, possessed by the Bank of Bengal, of its notes being taken to the prescribed extent at the Government offices. The capital of this Bank, which is Indian, may be indefinitely extended, and its construction is sound, its transactions are legitimate. Moreover, it is under the direction of the Merchants of India, native and European. The only reason why its business has not equalled that of the Bank of Bengal, is simply because the Government influence, combined with the latter, has been brought to bear against it. Should the Bank of India go into operation, on the plan proposed, and with the privileges sought for, the Union would be completely crushed, as would every Institution of the kind which attempted to oppose it. Let the promoters of the new Bank shew, if they can, in what respect the constitution of the Union is defective, and how it may not be adapted, or extended, to answer all the purposes required by the Calcutta presidency, with the aid of the Bank of Bengal. But it appears to them "a work of supererogation to set forth at any length what must be so obvious," viz., the superior advantages of their scheme, "which should have branches in all the great towns, and be conducted on sound Banking principles, by a Superintending Board in *England*, of the most eminent manufacturers and merchants, &c." Now, I submit that the intelligent merchants of India are quite competent to manage their own affairs, and do not require to be placed under the superintendence of the manufacturers of Manchester, Blackburn, and Birmingham; and moreover, that however estimable, talented, and useful these gentlemen are, in their own sphere, still many of them have had little time to spare from their active pursuits to gain that knowledge of India, its commerce and people, to fit them for such a duty, nor to exercise it, admitting they had; and it would be as presumptuous on their part, to undertake

the duty at such a distance, as it is insulting to the India Merchants on the part of the promoters to propose it.

Page 16. "The servants of Government, and every one else, would then have a place of secure and profitable investment for their savings, receiving for them as high a rate of interest as could be afforded, and feeling, at the same time, absolutely certain as to their payment the moment they are demanded. Had such an institution been in existence in India a few years ago, what an amount of bitter disappointment, and of positive suffering, would it have averted! and where is the security, provided some such establishment as that now proposed be not founded, that the disasters we have so lately witnessed will not recur?"

In answer to the above, I have only to remark, that at the time the civil and military servants of the Company were depositing their savings with the old Houses of Agency, the Indian Government Loans and the Bank of Bengal were open to them, but they chose the liberal rate of interest given by the former, and the risk with it, to the low rate and security offered by the latter; nor would the Bank of India, had it then existed, have prevented this species of speculation. The losses which the services sustained had, in most instances, been in a great measure compensated by the increased interest paid on their deposits, and, as a body, their account with the old Houses was pretty nearly squared, for the latter lost about as much in irrecoverable advances to the former, as they owed.

The question put by the promoters of the Bank, in concluding the above quotation, is evidently intended to create suspicion where none now exists, nor ought to exist, of the stability of the Calcutta, Madras, and Bombay Agency Houses, and merits the severest censure. The disasters, which they comment upon, will not of course recur until the causes, stated by themselves as having led to them, are again brought into operation. Say, until the Bank of India, in its struggle for business, and to substitute its capital for that now embarked by the private Merchants, commences to grant its boasted "liberal advances to the Indigo planters, Export Merchants, Ship-owners," &c. &c. Then, of course, "the cultivation of Indigo will be increased, and its price will gradually fall to a level which wont cover the cost of production." The Export Merchants and Ship-owners will again be tempted to engage in hazardous speculations, "many of which will turn out exceedingly ill." And the Bank of India, like the old Agency Houses, will doubtless be glad to take possession of the estates and ships in security of its claims, and like them will be compelled to turn Indigo planters, ship owners, and also shippers of produce, to meet its payments for the Home charges, &c. in England. This state of things, is certainly the probable, if not inevitable, result of a great Bank in India—directed in London by a Board of Gentle-

men deficient in local knowledge, whose responsibility is limited by law, and who have, by their arrangements, entailed upon themselves the necessity of annually meeting large disbursements in England, which cannot be met on the part of India otherwise than in merchandise.

Page 16. "The Bank of India would furnish the natives at the head office in Calcutta, and at the various branches in the principal towns, secure places of deposit for their surplus, or unemployed capital, &c. &c."

Page 17. "Hence the practice of hoarding and of burying the precious metals in the earth, has always prevailed to a great extent in the East.

"Mr Luke Sraffton has conjectured, and apparently on good grounds, that the vast sums lost in consequence of this practice, is the chief cause why prices do not seem to have risen materially in the East, or the precious metals to have become more abundant, notwithstanding the vast quantities that used to be sent thither. This habit of burying money in the earth has been too long carried on, and has become too congenial to the natives, to allow of its speedy eradication. This practice has considerably declined, though it is still carried on to a greater extent than those not familiar with India would readily imagine. In proof of this, see Evidence of the Right Hon. Holt M'Kenzie before Select Committee on Affairs of India.—Sect. *Finance*, Q. 321, &c."

Page 19. "It is all but certain, that in no long time it would bring forth and vivify millions of capital that now lie dormant in the earth, or in secret hiding places."

The promoters of the Bank have here ventured to draw pretty freely on the reputed gullibility of the English public; but surely the day is gone past when nursery tales like this will be credited by the intelligent part of the community, as representing the present state of India, even though supported by the venerable testimony of Mr. Luke Sraffton (1770), and that more recently given by the Right Honourable Holt M'Kenzie. The latter, when giving his evidence before the Select Committee, must have been less collected than he usually is, for he cannot but remember seeing the armlets, anklets, rings, ear-rings, and embroidery of every sort, daily worn by the natives of India, and the show of family ornaments of every description on great occasions. Their fondness for this species of display is notorious, and the consumption of the precious metals is, in consequence, very considerable. Some portion of the treasure imported into India doubtless passes into the countries beyond the Company's frontiers, and no small amount of it is re-shipped at times for England. For instance, the imports of specie in 1831-32 was £373,157, and the exports by the East India Company and the private Merchants £1,153,981, add to which the tear and wear of coin, &c. Had these facts occurred to the Honourable Gentleman, at the time of giving his evidence, they would have supplied him with a more rational answer to the question put to him, than the one which he appears to have given.

~~The natives of India cannot be so destitute of capital as we are~~

led to believe, if the promoters' statement be true, that they bury it in millions under ground, and in secret hiding places, and if this joint-stock Company succeeds in disinterring "and vivifying these dormant millions" of treasure, the speculation cannot fail of being profitable.

Their scheme would perhaps go down better with that portion of the public to which this part of their pamphlet is evidently addressed, were they to alter its designation to the ~~Treasure~~ Searching Company, and to engage a few adepts of the Dousterswivel school, to aid them in their Asiatic researches.

Page 19. "If a doubt can remain in the mind of any one as to the advantages that must always accrue from the opening of safe and profitable places of deposit for the savings of the industrious and frugal, it will be removed by observing what has been done in Scotland. That part of the empire has long enjoyed the inestimable advantage of a safe and convenient system of Banking."

Page 20. "Bring the same facilities for saving and accumulating within the command of the people of India that are enjoyed by the people of Scotland, and who can doubt that they will be productive of similar results? And, as these facilities will be afforded to a very considerable extent by the establishment of the Bank of India, who can deny that it has a well-founded claim on the public favour and patronage?"

The comparison here attempted betwixt India, its inhabitants, and the Bank of India, and Scotland, her people and Banking institutions, is either made under a total ignorance of every thing which relates to India, or with a view to mislead, for in no one respect will the comparison hold. These countries and their respective inhabitants do not differ more widely in climate, colour, and intelligence, than do the Banking institutions of the latter, from the one now proposed to be thrust on the former. In Scotland, there are four chartered Banks competing with each other, and a great number of powerful joint-stock Banks opposing the chartered institutions. Neither of them are leagued with the Government and backed by its influence, neither traffic in Foreign exchanges, each and all confine their business strictly to Banking; and, moreover, their stock is not held by an Indian proprietary, their transactions influenced by Foreign interests, nor governed by Boards of Directors in Madras, Calcutta, and Bombay.

Page 22. "At present the revenue collected in the more distant provinces has to be sent down in specie to Calcutta, where, after having been locked up for a while in the Company's Treasury, it again finds its way into circulation. The identical sums brought from a distance of a thousand miles or more, being probably paid to merchants or agents at Calcutta, by whom they are transmitted on loan to planters and others in the vicinity of the place whence they were originally brought! The establishment of the Bank of India will go far to put an end to this sort of national child's play—to the expensive transfer of specie from one part of the country to another, merely that it may be sent back again! The money paid by the Revenue Collectors to the different branches of the Bank,

will be forthwith placed to the account of Government at the Head Office in Calcutta. The loss attending the present rude and cumbrous system will thus be completely obviated; and the money paid into the branches of the Bank, instead of being sent down to Calcutta and then sent back again, will be immediately lent out to the industrious classes in their vicinity."

This statement gives a very exaggerated view of the state of Commercial intercourse in India. The Bank supporters wish the British public to believe that the Local Government and Merchants of India are as ignorant as children of the most simple and obvious mode of conducting their money transactions, and keep bullion traversing the country for no earthly purpose. Now, what are the facts?—The Revenue paid into the Collector's Treasuries, at the interior stations, is again disbursed through these station-pay offices to the civil and military services of the Company—to their Silk, Opium, and Salt Riots, or Farmers, and for other internal demands. The surplus only of receipts over expenditure is sent in bullion to the Presidency cities, where it is of course required by the Government Treasury to meet the interest on Loans and other public disbursements, provided such surplus is not absorbed by Presidency Treasury orders in favour of the Merchants requiring to make payments in the interior, who, by paying their funds into the latter Treasury, thus obviate the necessity on the part of Government for its transmission.

A great portion of the Company's surplus Revenues of India, remitted to Europe, is sent from the interior in Opium, Cotton, Silk, &c., while the inland remittances made on private account are effected in Cotton piece Goods, Twist, Woollens, Copper, Iron, and other British Merchandise.

Page 23. "Look at the influence the Bank will have in facilitating all sorts of commercial transactions. Suppose that a merchant in Calcutta finds that he can make an advantageous purchase of a quantity of opium, silk, indigo, or other article at Delhi, how will he proceed? If there be no money due to him at Delhi, and if he cannot (as is the case in nine out of ten instances) purchase a Bill on that city, he has nothing for it but to decline making the purchase, or to send, through a dangerous country, and at a heavy expense, bullion to Delhi to pay for the goods! The merchant in the case now supposed, will pay the price of the goods to the Bank in Calcutta, and obtain an order from them on their agent in Delhi, for an equivalent sum."

When a Merchant cannot obtain an order from the Presidency Treasurer, on the Collector of the District he is sending money to, he may effect the remittance in Bank of Bengal notes, where they are current, or he can at all times purchase of a native Shroff or Banker, a Hoondie or Bill of Exchange. The promoters say, page 18, "That many of these Shroffs are men of desperate fortunes, and of doubtful character." Now, I will venture to affirm, that

out of the number registered in the Calcutta Directory, five may be selected whose united wealth alone is equal to the whole capital which they propose for the Bank of India ; and further, that in the course of a very considerable experience, I never knew an instance of a native Hoondee or Bill of Exchange being dishonoured. The same Commercial facilities, therefore, which the promoters boast their Bank will confer are already given, and the public of England will surely not now be induced to believe that the Local Government of India are so very absurd in their proceedings, as to bring bullion one thousand miles from the interior, "through a dangerous" country, merely that they might "keep it locked up for a while in their Treasury," and to have the trouble and risk of sending it back again.

Of course there is, and must necessarily be, at times, an accumulation of the precious metals at the Presidency cities, where the marine import and export Custom Houses are located, and it is true that the bullion imported is coined at the Calcutta Mint, and transmitted up the country along the Great Rivers ; but these remittances are now made by the Government steamers, without risk, and at a trifling cost. It also does occasionally happen that specie is sent from station to station for the payment of troops where the receipts are inadequate ; but so it would be under the Bank, unless they issued notes to the value of two shillings of our money.

The example given in the passage quoted, of a Merchant sending his funds to Delhi, at a great risk, to buy Opium, Indigo, and Silk, is as much in point as to suppose a London Merchant sending his money to John o' Groat's to buy Kent Hops.

These productions are chiefly raised in provinces lying several hundred miles nearer to Calcutta than the city of Delhi.

"The promoters say," Pages 29 and 30, "that the establishment of a Bank in India, on the principle, and for the objects which they state, will undoubtedly have a considerable moral and political influence on the people, by conducing to their wealth, tranquillity, and security, and giving them a tangible interest, not in the support of the Bank merely, but of the English ascendancy ; and further, (in their prospectus,) they offer their establishment to the local Government of India, as a pecuniary defence in times of political exigency."

The moral influence of Institutions of this kind is good or bad, according as their principles and administration are sound or corrupt ; and in this instance the natives of India would only be presented with another example of that pernicious system of our Colonial policy which they have found so withering to their prosperity, and have paid such a large sum to get rid of, but which it would still appear to be their destiny to have inflicted upon them. They would see in it only another great exclusive and oppressive jobbing

monopoly, absorbing or ruining the business of their private Merchants and Bankers, a scheme to extort another half million yearly from them in the shape of Bank Dividends—in fine, another instance of our grasping cupidity. The other two points, viz., its political influence, and pecuniary defence to the ruling power, are for the consideration of the Court of Directors—the former result is certain, the latter advantage very doubtful. The Local Government has hitherto depended on the public of India for pecuniary supplies, and was never yet disappointed, even in times of the greatest political exigency.

The natives look to the Government as the paramount security in pecuniary matters, and hence the latter is able to contract loans at four per cent. interest against private competition at seven per cent. Hitherto there has been no Banking Institution, or Corporate body, of any kind in India powerful enough to step in betwixt the monied natives and the Government, and by its competition, to enhance the rate of the State Loans. It was the absence of all such competition which enabled the Local Government latterly to renew former contracts on more favourable terms.

The Court of Directors will have no difficulty in forming their estimate of the political influence which the Bank is likely to exert, from the documentary evidence in their possession, relating to the transactions and eventual suppression of the Banking House of Wm. Palmer & Co. at Hydrabad, and they may possibly obtain some useful information on this point from other sources, such as the United States Bank, &c. The Governors of the various branch establishments at Delhi, and other important stations throughout India, acting in the double capacity of Bankers and Revenue Collectors, will undoubtedly possess considerable influence with the native Princes and Zemindars; and it is not at all unlikely that the Company's political residents at the native Courts may again, as in the instance alluded to, find their influence neutralized by a Banker.

It is not difficult to foresee that a Bank so organised as to bring the Revenues of India, and the sources of war and Commerce, within its grasp, which is to possess the credit and influence of the Local Government, and yet to be virtually independent of that body, must become a very formidable Institution, and that the Directing Board in London are likely to be nearly of as much importance as the Court of Directors in Leadenhall Street.

will certainly yield a handsome profit to its proprietary, &c. But that such will be the case may be unhesitatingly inferred, first, from the high rate of interest in India, and, second, from the high rate of dividend that has been paid by the Bank of Bengal and the Union Bank."

The following comparative statement of Banking profits in India and this country, will be interesting to those who, in judging of an undertaking of this kind, are influenced solely by selfish pecuniary considerations:—

Average Dividends and Bonuses of the Bank of England, from 1800 to 1831, inclusive, upwards of	10 per Cent.
Average Dividends of the Bank of Bengal, from its establishment in 1808 to 1831, inclusive,	9 4-5ths do.
Since 1831 only,	7 3-4ths do.
Average Dividends of the Union Bank of Calcutta, since its establishment in 1829, under	6 do.
The English Joint-Stock Banks give a return of from	5 to 10 do.
Indian Rate of Interest on Government Loans,	4 do.
Do. of Discount on Government Salary Bills,	4 do.

The promoters, in their abortive attempt to answer the objections which have been advanced by experienced practical men in London, Manchester, Liverpool, and Glasgow, to their scheme, say,—

Page 32. "It is said that it will be a monopoly. But there is not really so much as the shadow of a foundation for any such statement. It asks no peculiar favour or privilege of any sort or kind whatever—no one, in fact, that the Government, if it see cause, may not confer on any ten, fifty, or five hundred establishments. Page 33. All that it asks for is a Charter, on its fulfilling the conditions, or complying with the regulations. According to which, the Treasury has already granted Charters to other Banking Companies established in the Colonies. They abjure all pretensions to monopoly and favouritism."

Contrast the above assertions with the facts. The promoters have asked for their Bank, Charters for Great Britain and India, and limited liability—a close and intimate connexion with the Indian Government—the countenance and co-operation of the British Government—to collect and disburse the Revenues of India—to perform all the functions of the Government Treasury—to secure the annual remittance, made in Merchandise, of the Home disbursements—to have its notes made a legal tender—to incorporate the Bank of Bengal—to bring the whole of British India and dependencies under its dominion, through the machinery of Branch establishments—to traffic in foreign Exchanges, and, as the concluding sentence of the prospectus expresses, to act as Bankers, "modified only by the peculiar circumstances of India and the East India Company." Now, all these privileges and arrangements are embraced in the documents detailing the promoters' plan, which have been submitted to the British and Indian authorities for approval, and if conceded, the respective Governments, at least

the latter, are pledged to, and identified with, the undertaking. The Bank supporters say, that the Indian Government may so identify itself with any ten, fifty, or five hundred such establishments—grant the same privileges and arrangements to the same number of Banks, “if it see cause,” that is, it may have 500 National Banks, Government Treasuries, Revenue Collecting Institutions, &c., if it see cause; but it won’t see cause to have more than one such Institution, and here is just the difference, and we shant see the effect: nor will the British Government and the Court of Directors see cause to grant the Charters and approve of the plans submitted, no more than they now see cause to have ten, fifty, five hundred, or even two Banks of England.

The Bank supporters would wish us to believe that the revenue and treasury business of India is quite within the range of ordinary competition.

Pages 33 and 34. “The Government of India will not deal with the Bank unless they are satisfied that such dealings will be for their interest. The same answer may be made to what has been said about the Bank’s seeking to act as Treasurer for the Government of India. If Government can itself transact the business in question, or get it transacted by others, on more favourable terms than these offered by the Bank of India, their offer will be at once rejected.”

The revenues of India amount to £23,000,000, collected from various sources, over a vast country and under a complicated system of revenue laws, requiring an immense establishment for its collection and disbursement. No institution, excepting one expressly organised at great labour and expense for the purpose, could undertake the transaction of such business, and compete with the Bank in their offer to Government. It is perfectly absurd, therefore, to suppose that such competition will exist. The offer of the Bank would doubtless show a saving to the Government of 1 or 2 per cent. on the cost of collection, to induce the latter to accept of it, but the consequence of giving the Bank the collection, and command of the revenues, and the absolute power which this and the other arrangements it seeks to obtain, would secure to it over the sources of Indian prosperity, would inevitably lessen the amount now or prospectively to be collected, and the Government, when too late, would discover that the Bank offer had not been to its advantage. The Government having identified itself with the Bank, abolished its extensive Revenue and Treasury machinery, made other provision for its officers, and arrangements, and contracts, for a definite period, could not, of course, retrace its steps and revert to its old system the moment the change was discovered to be prejudicial to the interests of the

country, and consequently it would be compelled to deal with the Bank, though not to its advantage. The Government would not have the option of immediately falling back upon the remedy. Such home arguments as the promoters have here advanced, are very well when applied to a paltry concern; every quack who vends poison, has them at his tongue's end. The public wont take my nostrums, unless they find it for their advantage to do so but still the public take them, and when too late, perhaps, find out that it was not to their advantage.

Page 34. "To imagine that the circumstance of the notes of the Bank being received in payment of taxes, supposing such to be the case, should give the Bank any monopoly, is too ludicrously absurd to deserve notice."

Ludicrously absurd as this may appear to the promoters, it is nevertheless true. This privilege has given the Bank of Bengal a monopoly of the paper currency beyond the precincts of Calcutta, and of at least 9-10ths of the circulation of that city.

Page 34. "Bring another Bank equally entitled to the public confidence into the field, and Government will, no doubt, also take its notes."

There is no room for it in India, and the attempt would be ruinous to both establishments. Besides, admitting that another Bank of equal magnitude could be brought into the field, Government would not take its notes. They wont take those of the Union Bank of Calcutta now, though it is as deserving of credit as the Bank of Bengal, simply because it is not the Government Bank.

Pages 34, 35. "It is further objected, that the Bank is to be in India, and the Directors in England, and that the latter being at so great a distance from the thing they are appointed to manage, all sorts of mischievous consequences will ensue.

"But, in point of fact, the Bank will be managed by the Directors resident on the spot, or in Calcutta; the proceedings of the Indian Board being, however, liable to be controlled and directed by the London Board, and does any one suppose that this control will not be of the greatest service?"

"The Indian Directors, exposed to local influences, personal solicitation, &c., might, even with the best intentions, be betrayed into a line of conduct prejudicial to the real and lasting interests of the Bank. Instead, therefore, of the double direction being a disadvantage, it is plainly an important circumstance in recommendation of the Bank, and gives it an additional claim to the public confidence."

This part of the scheme, so glaringly absurd and repugnant to every idea of efficiency, and admitted to be a serious defect by many who have signed the Bank prospectus, is nevertheless here put forth as one of its greatest beauties, and as establishing an additional claim to public confidence in the undertaking. It is of course a vital point with those most active in getting up the Bank, and every effort will be made to preserve it. The

argument advanced in its defence, viz., The Indian "Directors exposed to local influences, personal solicitation," &c. &c., tells with tenfold force against the Supreme Direction being in London. Thus the London Directors, exposed to local influences—to personal solicitations—to individual interests, from their connexion with Houses of Agency—to all the temptations and errors arising from the possession of great power, and from a very imperfect knowledge of the country, the people, and internal commerce of India, as well as a total ignorance of Indian daily occurrences, may be betrayed into a line of conduct prejudicial to the interests of India, and of the Merchants connected with it. Now, if we are to be left to choose betwixt two evils, which of these is the greatest? Certainly the latter. For proof of which we need only refer to the knowledge of Indian matters which the promoters have shown in the Pamphlet under Review. But so much has already been said, which still remains unanswered, against this part of the scheme, that it is not now necessary to add more.

Pages 35 and 36. "But it is chiefly, we apprehend, because of its anticipated interference with the remittance of funds from and to India that so much opposition is made to the Bank.

"The negotiation of the remittances in question forms, at present, a considerable and a lucrative branch of the business carried on by the individuals engaged in the trade with India, and it is not to be supposed that the majority should be favourably inclined towards an establishment that will certainly come into competition with them in this department. But the more the individuals in question might find their interests compromised by the establishment of the Bank of India, the more is it entitled to a Charter, because the more advantageous must it be to the public."

Why do the promoters of the Bank wish to get possession of this remittance? First, to strip the private Merchant of the "*lucrative profit*" which they imagine he now makes upon it, and next, to give them the means of influencing the consignment of the merchandise, in which it is sent to England, to the agency establishments of the Directors. They will scarcely find any one so very simple as to believe that they will be content with a less, or even with the same profit, than the Merchant has obtained upon the remittance, if they have it in their power to take it. But the fact is, that the Indian Government is now, and has (since deprived of its commercial character) been the chief benefiter by these Exchange operations. Formerly the Exchange, Calcutta on London, was 1s. 10d. per Sicca Rupee, and now the Indian Government are selling their Rupees for Bills on London at 2s. 2d., and their dollars in China at 4s. 8d., and have been doing so for a long time past. The gain has been considerable, but perfectly legitimate.

The money in the Indian Treasury for remittance to Europe, is offered to the commercial community without favouritism, and the profit has benefited India, in as much as it lessens the drain on her Revenues, and partly compensates her for these Revenues being deprived of the annual profits of the Company's tea trade. If the Bank, then, is to step in betwixt the Merchant and the local Government in the distribution of this money, independent of all the evils which such an interference will inevitably lead to, this portion of the Merchandise Trade of India would be taxed with the profit of the Bank.*

Having disposed of the Answers offered by the promoters of the Bank, to the Objections advanced against it, I shall conclude this Review of their pamphlet with a few comments upon the following passages quoted from pages 24 to 27:—

"How is it that, notwithstanding we are the rulers of the country, and that it contains a vast population, which, it is now clearly ascertained, have no disinclination, but, on the contrary, a strong desire to possess articles of British produce and manufacture, our exports to it should not, at an average, exceed three and a half millions a-year, being less than half our exports to the United States? The cause of this anomaly is apparent. It results entirely from the backward state of industry in India, AND FROM THE DIFFICULTY THE NATIVES EXPERIENCE IN RAISING PRODUCTS TO PAY FOR OUR GOODS."

"She has superior natural facilities for the production of Cotton, Silk, Sugar Indigo, Pepper, Coffee, &c., AND NOTHING BUT A DEFICIENCY OF CAPITAL AND SKILL PREVENTS HER FROM ATTAINING TO THE HIGHEST RANK AS A MART FOR THESE ARTICLES."

"We are convinced, however, that the resources of India have only to be developed, to bring her successfully into competition with the United States, as a Cotton growing country. The capacities of India are, in this respect, illimitable. She has a boundless extent of land suitable to the culture of Cotton, and a surplus of cheap labour. ALL THAT SHE REQUIRES IS SKILL AND CAPITAL."

"The annual imports of Cotton Wool into Great Britain amount, at present, to about 330,000,000 lbs. Of which about 270,000,000 are brought from the United States, and from 20,000,000 to 30,000,000 from Brazil. It is impossible to reflect on this state of things without entertaining the most serious apprehensions as to the result of any misunderstanding between this country and the United States."

The supporters of the Bank here ask a question, and suggest a probable national emergency, deserving the serious attention of the British Government and public. When we look to the magnitude of India—her great natural capabilities—the peaceable character of her people, and reflect that she has now been for more than a century under British domination, we are compelled to admit, that the state she at present exhibits, to the civilized world, reflects indelible disgrace on our Colonial policy; while the present limited extent of our Indian commerce, our helpless dependence on a rival country for the raw material of our great staple manufacture, affords

* Vide Pamphlet entitled, "Remarks on the Bank of India, its Practical Working," &c. Also an able article on the same subject, in the Asiatic Journal for October.

conclusive evidence that our miserable short-sighted, and jobbing system of mis-government has not only been re-acting upon ourselves, but that we may yet be destined to more serious retribution.

The promoters, in putting the question, pointing out the anomaly, and suggesting the probable emergency, are merely working, in their vocation of twisting every thing within their reach, to their own advantage. They answer the first by their assertion, *that it is entirely owing to the want of skill and capital*; thus giving the effect for the cause. And they meet the last by offering their abortion of a Bank as a defence against it, and a panacea for all the evils of Indian mis-government; thus insidiously recommending the continuance of the same pernicious system of Corporate management which has been so baneful to her interests. If they had been at all anxious to have interested the British Government and public in behalf of India, they would have stated what they knew, or at least ought to have known, were the true causes which have prevented the advancement of India, viz.:—That her capabilities and productive industry have been paralysed and fettered by bringing them under the dominion of Corporate monopoly trading, and the depressing internal Legislation connected therewith. That her productions have either been entirely excluded from our markets, or their consumption greatly diminished, by subjecting them to duties, in some instances enormously high, and in others most unjustly discriminative, while her own domestic manufactures were ruined by the free importation of ours. That we have annually drained her of an enormous amount of her productive labour, in the shape of tribute, for which we have given her nothing in return, not even good Government, until lately. That the masters we placed over her declared themselves the owners of the soil of India; subjected one part of the country to a system of Revenue Laws which unsettles the right of property every twenty years, prevents the occupant from improving it from the apprehension of increased exaction, and which, in another part of the country, is made to fluctuate so nearly with the annual gross returns, that it absorbs all the surplus over the bare subsistence of the Landholder, and leaves neither the means nor the stimulus to improvement. That her Revenues, instead of being applied to the internal improvement of the country—to the education of the natives, and fitting them, as they grew up under our dominion, for being entrusted with the subordinate offices of State—have been expended in wars, for our own political aggrandisement in Asia, or wasted in commercial speculations.

That the posts of honour and emolument are consequently held by the younger sons of English families, and her native Aristocracy have not only been degraded, but in a great measure destroyed. That Indian interests have neither been represented nor listened to in the House of Commons, like those of other sections of the British Empire, but, on the contrary, have been made subservient to the latter. In fine, that the Local Government of India is over-ridden by the authorities at home, and that the latter, from a fear of innovation, has too frequently discouraged attempts, on the part of the former, to ameliorate her condition.

These are the causes which have led to the anomalous state which our Indian Commerce at present presents, and sufficiently account for any want of skill and capital in that country. The withdrawal of the East India Company's Commercial privileges, the recent partial equalization of the discriminative duties, and the abolition of the internal transit duties, &c. have removed a few of these evils and modified others. And the promoters of the Bank wish us to believe, that the remainder may be corrected by a return to the same system which has produced them, viz., by placing the whole monetary business of India under the irresponsible power of another great Chartered Corporate Body, together with such privileges and arrangements as would enable it to exercise an absolute control over the Commerce of India, and the sources of her prosperity, through the machinery of an Institution, mis-called a Bank. The security we are offered against the abuse of this power are, professions of disinterested zeal for the welfare of India; but this Stock Exchange philanthropy will not be taken for more than it is worth. These remarks are not, of course intended to apply indiscriminately to all who have been persuaded to sign the Bank Prospectus, and to allow their names to be placed on the list of Directors. Many have done so from the conviction that the extension of the Banking system of India, on sound and legitimate principles, would benefit that country, and so it unquestionably would, but who, now seeing more clearly the practical operation of this scheme, have either withdrawn from it, or are about to do so.

The promoters of the Bank wish the public to believe, that the opposition to their project is confined to a numerically small and interested party who are inimical to any extension or improvement of Banking in India; but this is not true. Their opponents are neither few, averse to, nor insensible to the benefit which would result from a judicious extension of the India Banks. On the contrary, all their anxiety is to prevent a change which they feel

assured would prove a curse, instead of a benefit, and to secure to the community of India the equitable right of constructing and managing their own Banks. Let the Home authorities grant this permission to their Indian subjects, and instruct the Local Government to extend its patronage and protection alike to all the establishments which may be organised under regulations laid down by itself, and it will be quite time enough for the London Merchants to offer their capital and assistance when they are asked to do so.

22d October, 1836.

THE END.

REASONS
FOR THE ESTABLISHMENT OF
A NEW BANK
IN
INDIA;
WITH
ANSWERS TO THE OBJECTIONS
AGAINST IT.

LONDON:
PRINTED FOR
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REASONS,

&c. &c.

It cannot surely be necessary that we should endeavour to gain the assent of the English public to the proposal for establishing a new Bank in India, by entering upon any lengthened disquisition as to the utility of Banks. Banking is a trade that naturally grows up in the progress of society; and there is none that conduces more, perhaps, to its advancement. Banks possessed of adequate capitals, and conducted on sound principles, perform some of the most important functions in the public economy. They constitute, as it were, a sort of reservoirs in which the surplus or unemployed capital of individuals in their vicinity is advantageously collected, and from which it is subsequently distributed among those who will employ it in the best and most profitable manner. It is not easy for us, who have so long enjoyed the advantage of such establishments, to form any correct estimate of the influence of Banks in thus bringing vast quantities of capital, that would otherwise have been locked up in the

coffers of individuals, into the market, and making it available for the prosecution of industrious undertakings. A private gentleman may have .1,000*l.* or 10,000*l.* by him for which he has no use ; but being unacquainted with business, or not choosing to encounter the risk of loss by lending it to private individuals, he prefers keeping it in his strong box. The moment, however, that a bank of undoubted wealth, and managed by persons of acknowledged skill and integrity, is established in his vicinity, he carries his money to it. He is tempted to do this partly because he thereby obviates the risk of its being lost, stolen, or destroyed ; and generally also, because the Bank allows him a certain interest or premium upon it. The Bank, immediately, or very soon after, lends this money to an agriculturist, manufacturer, or merchant ; so that the sum which was formerly locked up, and useless to its owner and every one else, now gives life to industry, and affords wages to the labourer and profits to the capitalist. It is the interest as well as the business of the Bank to take care that those to whom it may lend the monies committed to its custody should have a reputation for industry and integrity, and that they will be repaid with interest at the stipulated period. But though its managers should occasionally be mistaken in the estimates they form of the character and ability of those who bor-

row of them, their large paid up and available capital gives them the means of meeting such losses without their affecting the Bank's credit, or lessening in any degree the security afforded by it to depositors. Banks with inadequate capital, or improperly managed, must, of course, realise these advantages in a very inferior degree. But, despite these and other defects, the experience of this country, of Scotland, the United States, and, in fact, of all civilized communities, bears the most decisive testimony to the signal service rendered by Banks in their capacity of borrowers and lenders of money.

Besides serving as convenient *entrepôts* for the collection and distribution of capital, Banks may, and indeed very frequently do, issue paper, or notes, to serve as money in the ordinary transactions of life; and whenever such notes are issued by opulent establishments, and are uniformly paid immediately on being presented in the standard coin of the country, they serve the same purpose as gold or silver, at the same time that they are incomparably more convenient, and do not cost the thousandth part of the expense. Suppose that a Bank issues five millions of notes, and that to carry on its business it retains an average stock of 1,000,000 sovereigns in its coffers: had these notes not circulated, their place must have been supplied

by five millions of gold coins ; so that by their issue four millions' worth of capital (the surplus of notes issued by the Bank over the coins in its coffers) is withdrawn from the circulation of commodities, and made available for their production. A few quires of engraved paper are made to perform the same functions, not as well merely, but incomparably better, than they were previously performed by a quantity of capital sufficient to furnish employment for many thousands of labourers ! Hence it is that the introduction of well-established banks of issue is of all others the most efficient means that can be devised for increasing the capital of countries having a metallic currency. The precious metals rendered superfluous by the substitution of paper for coins are forthwith employed to purchase ships, to build factories, to improve agriculture, and so forth ; and a new and copious source of employment and wealth is opened, in the advantages of which all classes participate. " When paper," says Dr. Smith, " is substituted in the room of gold and silver money, the quantity of the materials, tools, and maintenance which the whole circulating capital can supply, may be increased by the whole value of the gold and silver which used to be employed in purchasing them. The whole value of the great wheel of circulation and distribution is added to the goods which are cir-

culated and distributed by means of it. The operation in some measure resembles that of the undertaker of some great work, who, in consequence of some improvement in mechanics, takes down his old machinery, and adds the difference between its price and that of the new to his circulating capital,—to the fund from which he furnishes materials and wages to his workmen.”*

But, how great soever, even these are not the only advantages derived from the institution of Banks. The facilities they afford for the making of payments in the most distant parts of the country are of the utmost importance. Wherever Banks are unknown commerce must be carried on under the greatest difficulties, and be in the most backward state. How depressed would be its condition in Great Britain had we no means of making payments at a distance except by the transmission of gold! But the intervention of bankers completely obviates this difficulty; and individuals make payments in the parts of the country most remote from their residences with as much facility, and almost as cheaply, as they effect those in the places where they live. Even if Banks had no other effect than this, their introduction into districts in which they are unknown, could hardly fail to give a powerful stimulus to all sorts of industry.

* Wealth of Nations, M'Culloch's edit., vol. ii. p. 35.

Such are a few of the more prominent advantages that are sure to be realised in every country by the establishment of safe and well-conducted banks; and such being the case, it follows that those who are instrumental in introducing such institutions into countries in which they are wholly unknown, or in which the existing establishments are inadequate to the object, confer on them some of the greatest advantages they can enjoy.

Influenced by these views, and desirous also to open a safe and advantageous channel for the employment of a portion of the redundant capital of this country, a number of gentleman have resolved, provided they obtain a charter from the Crown, and the sanction of the East India Company, to establish a Bank in India, on a scale commensurate with the wants of that great division of the empire, and with a capital sufficient to guarantee the most undoubted stability. In pursuance of this resolution they have drawn up the following plan, in which the nature and objects of the proposed Bank are briefly and clearly stated:—

PLAN FOR THE BANK OF INDIA.

I. A Joint Stock Company to be formed in Great Britain, to be entitled the “Bank of India,” and to be incorporated by charter from the Crown and the East India Company.

II. The capital to be 5,000,000*l.*, divided into 50,000 shares of 100*l.* each; 10*l.* per share to be paid on the allotment, and 15*l.* per share more on obtaining the charter from the Crown; the remainder as soon as the money can be beneficially employed, but not in greater instalments than 10*l.* per share, nor at less intervals than three months between each instalment: 15,000 of the shares to be reserved for distribution in India.

III. The Bank of India shall have its chief office in London, and the management be vested in a Board of Twenty-four Directors, each Director to hold not less than forty shares. The Directors first appointed to remain in office five years from the 1st January following the date of the charter from the Crown, with power to complete their number in case of vacancy during that period.

IV. The management in India to be confided to a Board of Nine Directors at Calcutta, with subordinate Boards at Bombay and Madras, and at other places where Branch Banks may be established; the first Directors in India being appointed by the Directors in London, and subject to their control.

V. After the lapse of the time appointed, the Directors in London to go out of office in rotation, one third* each succeeding year, but to be eligible for re-election by a majority of the Proprietors. The holders of

5 shares and less than 15 to have 1 vote.

15	-	-	40	2
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40	-	-	80	3
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80 and upwards	-			4
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* The proportion has since been altered to a *fourth*; and the qualification for Directors in India has been fixed at *twenty* shares.

VI. After the lapse of three years from their appointment, the Directors in India to go out of office in rotation, one third each succeeding year, and to be eligible for re-election by the proprietary in India, voting in the same manner as in London; but the elections in India to be subject to the approval and confirmation of the majority of the London Direction.

VII. Natives to be eligible to be elected Directors in India.

VIII. The Bank of India to confine its business to banking exclusively; that is, to receiving deposits and keeping cash accounts; granting cash credits for a limited time, and with approved security; discounting bills; the issue of notes payable on demand, and in gold or silver, as may be hereafter determined; the purchase and sale of bills of exchange; and the granting of drafts and credits by the establishment in London on the several establishments in India, and *vice versa*. The Bank is not allowed to make advances on landed or other immoveable securities, nor upon growing crops, nor to act in a mercantile capacity by undertaking the shipment or sale of goods.

IX. Quarterly accounts to be transmitted by the Boards in India to the Directors in London; and accounts and reports of the finances of the Bank to be annually made by the London Board to all the Proprietors.

X. The following Gentlemen to act as a Provisional Board of Directors until the charter from the Crown be obtained, without which the Bank of India will not be constituted. The Provisional Directors, after the charter is completed, to be permanent, according to Article 3.

ALEXANDER, JAMES, Esq. London.
 BARING, THOMAS, Esq. M.P. ditto.
 BIRLEY, H. H., Esq. Manchester.
 BOYD, W. S., Esq. London.
 BROWNRIGG, J. S., Esq. M.P. ditto.
 CAMPBELL, JOHN DEANS, Esq. ditto.
 FEILDEN, WILLIAM., Esq. M.P. Blackburn.
 FINLAY, K., Esq. Glasgow.
 GARNETT, ROBERT, Esq. Manchester.
 GRANT, GEORGE, Esq. Liverpool.
 GREGSON, SAMUEL, Esq. London.
 HEGAN, JOSEPH, Esq. Liverpool.
 HORNBY, JOSEPH, Esq. ditto.
 JACKSON, JOHN, Esq. Lancaster.
 IRVING, JOHN, Esq. London.
 KENNARD, JOHN, Esq. ditto.
 LARPENT, G. G. DE H., Esq. ditto.
 LITTLE, WILLIAM, Esq. ditto.
 MACKINTOSH, ENEAS, Esq. ditto.
 MELVILLE, JOHN, Esq. ditto.
 OSWALD, JAMES, Esq. M.P. Glasgow.
 PHILIPS, MARK, Esq. M.P. Manchester.
 PICKERSGILL, JOHN, Esq. London.
 SMITH, JOHN ABEL, Esq. M.P. ditto.

London, 20th July, 1836.

To anticipate that either the Government or the East India Company should throw any obstacles in the way of the establishment of a Bank of this sort, would be equivalent to supposing that they were averse from what must obviously conduce, and that in no ordinary degree, to the improvement of India and of the

Empire. Every one, indeed, in the least acquainted with the state of India must be aware that no great country exists so entirely destitute of banking establishments, or where the introduction of such an establishment as that now proposed would be likely to prove so advantageous. At present, in fact, there are only four Banks in India — the Bank of Bengal and the Union Bank, established in Calcutta, with a sort of government banking establishment at Madras, and a recently formed Bank in Agra — but of these the first two are the only ones of any importance ; and even their capitals are comparatively limited, the Bank of Bengal not having more than 750,000*l.* paid up capital, if so much, and the Union Bank only 500,000*l.* ; their constitution is, in various respects, defective ; and they have no branches or subordinate establishments in any part of the country, the sphere of their operations being confined principally to the city of Calcutta, and wholly to the province of Bengal. No doubt these Banks have been of material service ; but it would be as absurd to suppose that two banks established in London, without a single branch, assisted by a small government establishment at Dublin, and a small private bank at Livèrpool, should be adequate to transact the banking business of the United Kingdom, as that the two Banks referred to should suffice to transact the bank-

ing business of our Indian empire, extending as it does over 1,300,000 square miles, and comprising a population of about *one hundred and thirty millions* !

In fact, the largest portion by far of the foreign banking business of India was transacted, until very recently, by the great agency houses established in Calcutta, Bombay, and Madras, but principally in the first. Most of these houses were founded originally by retired civil servants of the East India Company, or by adventurers from Europe, without, in most instances, being possessed of any very considerable amount of capital. Besides being bankers, they were merchants, and sometimes also indigo planters and ship-owners ; and to this vicious combination the ruin in which so many of them have been involved may be primarily ascribed. Their credit being high, large sums, principally consisting of the savings of individuals in the Company's service, were deposited in their hands, for which they engaged to pay a high rate of interest ; but, instead of employing these deposits as Bankers in England would do, or as the proposed Bank of India would have done had it been then in existence, in the discount of approved bills at short dates, in the granting of cash credits, or in the purchase of Government securities readily convertible into money, they employed them in all manner of hazardous

speculations, — advancing very large sums to indigo planters, several of whom had little or no capital of their own ; exporting goods to Europe, China, &c., either directly on their own account, or indirectly by lending largely on the security of the goods to those who did ; becoming owners of Indian shipping, &c. Many of these speculations turned out exceedingly ill. The cultivation of indigo was so much increased that its price gradually fell to a level at which it would not pay the expense of production ; so that very heavy losses were sustained, and much capital sunk by the planters and those by whom they had been propped up. The investments in Indian shipping turned out even worse than those in the indigo plantations, the shipping of England having nearly driven that of India out of the field. At the same time that most of the houses in question had been thus getting themselves entangled in difficulties, several of their partners returned to Europe, taking large sums with them, as their share of the capital of the firms. The embarrassment produced by this locking up of their capital, by the withdrawing of portions of it to Europe, and by the unfavourable termination of many of the adventures in which they had been engaged, began to manifest itself simultaneously with the scarcity of money occasioned by the drains on account of the Burmese war. The consequences are well known,

and have been most disastrous. After struggling on, some for a longer and some for a shorter period, most of the great houses alluded to have since failed; and by their fall have produced an extent of distress not often paralleled in the history of such catastrophes.

Now, it is material to observe, that no new banking establishment, with the exception of that of Agra, has been hitherto brought into the field to fill up the mighty void caused by the failure of the houses referred to. The Bank of Bengal and the Union Bank were both established long since; and as they, even when assisted by the establishments that have failed, were notoriously incompetent to the proper transacting of the banking affairs of India, they must be infinitely more so at present, after so much havoc has been made amongst the old agency houses.

Under these circumstances, it may probably appear to many a work of supererogation to set forth at any length what must be so obvious to every one as the advantage of establishing in India a new Bank possessed of capital sufficient to place its stability beyond the reach of suspicion, which should have branches in all the great towns, and be managed on sound banking principles by a superintending Board in England, consisting of the most eminent manufacturers and merchants, and a subordinate Board in India selected from

among the most intelligent British residents and natives. The servants of Government and every one else would then have a place of secure and profitable investment for their savings, receiving for them as high a rate of interest as could be afforded, and feeling at the same time absolutely certain as to their payment the moment they are demanded. Had such an institution been in existence in India a few years ago, what an amount of bitter disappointment and of positive suffering would it have averted ! And where is the security, provided some such establishment as that now proposed be not founded, that the disasters we have so lately witnessed will not recur ?

But the opening of a secure place of investment for the accumulation of the savings of the Company's servants and other Englishmen in India, and of a secure channel for their remittance to England, are but trifling advantages compared with those which the establishment of the proposed Bank would confer on the people of India. It would furnish at the head office in Calcutta, and at the various branches in the principal towns, secure places of deposit for their surplus or unemployed capital ; and it is not easy to estimate the influence that it would have in this way in exciting a spirit of industry and a love of accumulation throughout India. The incessant recurrence of intestine wars in that

region, the destruction of property with which they have been always accompanied, and the tyranny and rapacity, so frequently exercised by the rajahs and other petty sovereigns over the lower classes of the people, have produced a deeply rooted feeling of insecurity. Hence the practice of hoarding, and of burying the precious metals in the earth, has always prevailed to a great extent in the East. Mr. Luke Scrafton has made some striking statements in his celebrated tract on Hindostan, illustrative of the fortitude with which the Hindoos endured the greatest cruelties and indignities rather than discover the treasures they had thus withdrawn from the grasp of their avaricious masters. And he has conjectured, and apparently on good grounds, that the vast sums lost in consequence of this practice, is the chief cause why prices do not seem to have risen materially in the East, or the precious metals to have become more abundant, notwithstanding the vast quantities that used to be sent thither.*

This habit of burying money in the earth has been too long carried on, and has become too congenial to the natives, to allow of its speedy eradication. The comparative tranquillity which most parts of India have enjoyed under our sway, for these several years past, has, no doubt, occasioned a considerable decline of the practice,

* Scrafton's Reflections on the Government of Hindostan, p. 16. ed. 1770.

though it is still carried on to a greater extent than those not familiar with India would readily imagine.* It is needless to dwell on its mischievous consequences, both in the direct loss of capital that it involves, and, still more, in its indirect influence in preventing the formation of a spirit of emulation and enterprise. Now, we take leave to say, that, of all the means that it is possible to devise for the purpose of counteracting this pernicious habit, there is not one so likely to be effectual as the formation of a great Bank in India, with branches spread all over the country. It will afford to the Hindoo merchants and cultivators the means, of which they have hitherto been destitute, of profitably and safely investing their surplus or spare funds. At present, if they cannot directly employ them or do not bury them in the ground, they have nothing for it, but to lend them to the shroffs or native bankers. But many of these are persons of doubtful characters and desperate fortunes: they are more anxious to take advantage of the distress of individuals than to relieve it; and form but a wretched substitute for a bank that should receive deposits according to fixed rules, and without their being exposed to any hazard of any sort whatever. There cannot,

* In proof of this, see evidence of the Right Hon. Holt Mackenzie before Select Committee on Affairs of India. Sect. Finance, Q. 321., &c.

we think, be a doubt that the influence such an establishment would have in India would be great and signal. It is all but certain that, in no long time, it would bring forth and vivify millions of capital that now lie dormant in the earth, or in secret hiding places ; while, by increasing the advantages of accumulation, and making savings available as well for immediate profit as for a future resource, it would, at one and the same time, add new strength to the spirit of industry, and to the cumulative principle.

If a doubt can remain in the mind of any one as to the advantages that must always accrue from the opening of safe and profitable places of deposit for the savings of the industrious and frugal, it will be removed by observing what has been done in Scotland. That part of the empire has long enjoyed the inestimable advantage of a safe and convenient system of banking. All the Scotch banks receive deposits of the low value of 10*l.*, and pay interest upon them at about one per cent. under the market rate at the time being. The consequences have been quite extraordinary. All classes have been imbued with a spirit of enterprise and economy. The deposits in the Scotch banks, notwithstanding the natural poverty of the country, may, we believe, at this moment, be estimated at about 25,000,000*l.* sterling ; and we are well assured that we are within the mark when we affirm,

that, but for the safe and profitable means of investing the smallest sums that have been spread all over the country, not more than 10,000,000*l.* out of the existing 25,000,000*l.* of deposits would have been at this moment in existence.

Bring the same facilities for saving and accumulating within the command of the people of India that are enjoyed by the people of Scotland, and who can doubt that they will be productive of similar results? And as these facilities will be afforded to a very considerable extent by the establishment of the Bank of India, who can deny that it has a well-founded claim on the public favour and patronage?

The vast additional capital that would thus be created and brought into the field, would be distributed by the Bank in the most advantageous manner to those engaged in the various departments of industry. In India, most, perhaps we should say all, classes of producers are short of capital; — those engaged in the raising of indigo, silk, sugar, cotton, &c., all require advances to enable them to prosecute their business. Formerly, these advances were made by the merchants; and when their speculations failed, those who had deposited money in their hands lost their all. But when a banking company with large capital, and properly conducted, comes into the field, this will no longer be the

case. The Bank will discount the bills of merchants and planters, who will thus be assisted with the funds required to carry on their business till the produce of their crops or sales comes to hand. It is not, of course, to be supposed, that any bank should be able to conduct an extensive business of this kind without occasionally meeting with losses ; but the experience of this and other countries, and even of India itself, sufficiently proves that, with due care and discretion, these losses will never do more than diminish the profits of the establishment ; and though they were on some rare occasions to cut deeper, the large reserved fund which it would be its business to accumulate, independently altogether of its capital, would prevent the circumstance from being felt by any party connected with the Bank, or its free action from being at all impeded.

But, in addition to its influence as a bank for the receipt and distribution of the money of others, the Bank of India will also issue notes ; and will thus, as already explained, make an immediate addition to the free disposable capital of the country, equal to the excess of its notes afloat over the bullion it may find necessary to keep in its coffers. The notes of the Bank of Bengal are taken in payment of taxes by the East India Company's collectors in all the country below Benares ; and there is not, and there cannot be, any reason why the notes of the Bank of

India should not be in like manner received by the Government collectors in all the districts where it may have branches. Such an arrangement would be for the mutual benefit of all parties. At present the revenue collected in the more distant provinces has to be sent down in specie to Calcutta, where, after having been locked up for a while in the Company's treasury, it again finds its way into circulation : the identical sums brought from a distance of a thousand miles or more being probably paid to merchants or agents at Calcutta, by whom they are transmitted on loan to planters and others in the vicinity of the place whence they were originally brought ! The establishment of the Bank of India will go far to put an end to this sort of national child's play,—to the expensive transfer of specie from one part of the country to another, merely that it may be sent back again ! The money paid by the revenue collectors to the different branches of the Bank, will be forthwith placed to the account of Government at the head office in Calcutta : the loss attending the present rude and cumbrous system will thus be completely obviated ; and the money paid into the branches of the Bank, instead of being sent down to Calcutta and then sent back again, will be immediately lent out to the industrious classes in their vicinity. The interest of every party, and especially of the native population will be pro-

motivated by this arrangement. The projectors of the Bank of India wish, in fact, that the success of the establishment should depend entirely on its utility, — they ask no favour from the Government either in the circulation or receipt of their notes, — they know that they will have to deal with intelligent and able men, who will not fail to avail themselves of every fair facility that may be afforded for the transacting of the public business, either by this or any other company ; and this natural desire to resort to speedy, safe, and easy methods of conducting business, will be sufficient to secure for the Government, the Bank, and above all for the people of India, the numerous advantages thus shortly pointed out.

The service that the Bank will render to merchants, in carrying on their business, is too obvious to require illustration. Besides obtaining cash credits, and getting their bills discounted, or being accommodated with loans, look at the influence the Bank will have in facilitating all sorts of commercial transactions. Suppose that a merchant in Calcutta finds that he can make an advantageous purchase of a quantity of opium, silk, indigo, or other article at Delhi, how will he proceed ? If there be no money due to him at Delhi, and if he cannot (as is the case in nine out of ten instances) purchase a bill on that city, he has nothing for it but to decline making the purchase, or to send, through a dangerous

country and at a heavy expense, bullion to Delhi to pay for the goods ! The establishment of the Bank of India will, however, completely obviate all difficulties of this sort, and, by doing so, will give incalculable facilities to commerce. The merchant, in the case now supposed, will pay the price of the goods to the Bank in Calcutta, and obtain an order from them on their agent in Delhi for an equivalent sum ; so that a postage or two, and the interest of the sum for a few days, will be all that will be required to effect a transaction that could not otherwise be accomplished except at a great risk, after a long delay, and at a thousand times the expense.

Such, we may anticipate on the surest grounds, will be the effect of the establishment of the Bank of India in adding to the capital of that part of the empire, in vivifying its industry, and facilitating trade. But the indirect effects that will thence ensue are too intimately connected with the interests of the people of Britain to be left out of view in any sketch of this sort, however imperfect. What, may we ask, is the principal cause of the limited commerce we carry on with India ? How is it that, notwithstanding we are the rulers of the country, and that it contains a vast population, which, it is now clearly ascertained, have no disinclination, but, on the contrary, a strong desire to possess articles of British produce and manufacture, our exports to it

should not, at an average, exceed *three and a half millions* a year, being less than half our exports to the United States? The cause of this anomaly is apparent. It results entirely from the backward state of industry in India, and from the difficulty the natives experience in raising products with which to pay for our goods. According as this difficulty is diminished, that is, according as India succeeds in producing articles suitable for our markets, the commerce with her will be extended, and may, indeed, attain to any conceivable limit. And it so happens, that the very articles which form what are called the grand staples of India are those best suited for our markets. She has superior natural facilities for the production of cotton, silk, sugar, indigo, pepper, coffee, &c., and nothing but a deficiency of capital and skill prevents her from attaining to the highest rank as a mart for these articles. The success that has attended the efforts of the indigo planters, since the attention of Englishmen was first turned to that department in 1783, is conclusive evidence of what may be expected now that they are entitled to apply themselves not to the indigo culture only, but to all sorts of industry carried on in India, and that the discriminating duties formerly imposed on most sorts of Indian products have been all, or mostly all, repealed. The Bank of India will be of the greatest consequence in assisting the efforts of

those engaged in such undertakings. Rich individuals will not often engage in the departments in question, at least till they are more advanced than at present. Most of those engaged in them will be for a good while to come, as they have been in time past, bare of capital. But the Bank of India, having large deposits and a large capital to employ, will be liberal of its advances to individuals of intelligence and industry employed in the cotton culture, the indigo culture, the silk culture, and so forth; and to the merchants by whom such persons may be supported. It is difficult to foresee, or fully appreciate, the wonderful change that is certainly destined, at no distant period, to take place in the productions and trade of India, now that Englishmen may freely engage in it, and that English and Indian capital will be found to sustain and help them on in their efforts.

It would be no easy matter to exaggerate the importance of the cotton manufacture to the United Kingdom. It has been calculated, it is believed on good grounds, that from 1,200,000 to 1,500,000 of the people of Britain are directly dependent on it for employment and subsistence. It is, however, a fact, that the foundations of this great manufacture, any shock to which would be fatal to our prosperity, are laid in foreign countries! The annual imports of cotton wool into Great Britain amount, at present,

to about 330,000,000 lbs., of which about 270,000,000 are brought from the United States, and from 20,000,000 to 30,000,000 from Brazil. It is impossible to reflect on this state of things without entertaining the most serious apprehensions as to the result of any misunderstanding between this country and the United States. Commerce, no doubt, is reciprocal ; and the Americans are quite as much indebted to us for buying their cotton as we are to them for selling it. But were the two countries to go to war, or should the Americans, to injure us, pass a Non-intercourse Act, or merely prohibit all exportation of cotton for twelve or even six months, the consequences would be of the most alarming description. We hope and believe that this is a danger not very likely to occur ; but the fact that it may occur is not a very agreeable one, and should lead us to explore and cultivate the other channels whence supplies of cotton may be brought, so that we may be less dependent on any one. We are convinced, however, that the resources of India have only to be developed to bring her successfully into competition with the United States as a cotton-growing country. The capacities of India are, in this respect, illimitable. She has a boundless extent of land suitable to the culture of cotton, and a surplus of cheap labour. All that she requires is skill and capital ; and these will be

supplied, the former by the influx of adventurers from England, and the latter through the agency of the Bank of India, in drawing forth the capital of the country, and in assisting it with the capital of England.

It is not, however, in the cotton culture only that India must infallibly attain to the highest eminence, if assisted by the science and the capital of this country. Every one who looks into the instructive volume of papers published a few years ago by the East India Company, on the culture of sugar in India, must be satisfied that she has every natural aptitude for excelling in that department; and that her want of success in it is entirely ascribable to the rude and defective construction of the implements employed, and the poverty of the natives, by whom the business has been hitherto exclusively carried on. The same may be said of the culture of silk, pepper, rice, and so forth. No country in the world has greater capacities of production than India. That they have not been more fully developed has been wholly owing to accidental causes — to the insecurity of property, the consequent disinclination to vest capital in any industrious undertaking, and the want of skill. Various joint stock companies have, in fact, been already projected for the purpose of undertaking the culture of sugar, silk, &c.; but, if not abandoned, they

have been at least deferred, because of the want, in most parts of India, of any secure place of deposit for their capital till it could be brought into employment. Luckily, however, the insecurity formerly so prevalent has disappeared; the authority of the law is every where respected; and, now that the Bank of India is about to open safe and advantageous places of deposit for the savings of the natives, and to distribute them again, augmented by large sums brought from England, to deserving individuals, whether natives or European adventurers, engaged in industrious enterprises, it is surely not too much to say that a new era has commenced for India; and that the fair presumption is, that her vast, and hitherto unexplored, resources are at length about to be made fully available for the enriching of her own citizens, and those with whom they are politically and commercially connected.

Besides the beneficial consequences already pointed out, the establishment of a Bank in India, on the principle and for the objects now stated, will undoubtedly have a considerable effect in a moral and political point of view. By affording new and hitherto unknown facilities for the accumulation of capital, it will assist in convincing the natives that the dominion of the English in the East is as conducive to their wealth as it is to their tranquillity and

security ; and it will give the Bank depositors, who, it may be fairly presumed, will form the most industrious, intelligent, and active portion of the natives, a direct tangible interest, not in the support of the Bank merely, but of the English ascendancy. None can doubt that, in this respect, the influence of the proposed Bank will be alike salutary and powerful.

Besides conducing, in so many ways, to the improvement of India, and to the increase of the trade between it and England, the proposed Bank will certainly yield a handsome profit to its proprietary. It could not, indeed, be expected that they should embark so large a sum, in a business to be carried on at the distance of 10,000 miles, had they not a well-founded conviction that, in seeking to promote the interests of others, they would, at the same time, promote their own. But that such will be the case may be unhesitatingly inferred, first, from the high rate of interest in India, and, second, from the high rate of dividend that has been paid by the Bank of Bengal and the Union Bank. It may be thought, indeed, that the bringing of a new establishment, with a large amount of European capital, into the field, will tend to reduce the rate of interest and the profits hitherto made by banking. We, too, are inclined to think that this will, in some degree, be the case ; but, considering the all but unbounded scope afforded

in India for the employment of capital, it is not to be supposed that any considerable reduction should be brought about in the way now stated. The rate of interest, and the profit on industrious undertakings, will, no doubt, continue sufficiently high to yield a liberal return to the subscribers. It must, also, be borne in mind, that if the establishment of the Bank should have any sensible influence in reducing the rate of interest in India, that circumstance will be of equal service to the natives, most of whom are obliged to borrow money, at an exorbitant premium, on the security of their crops, &c.

Of course it is not to be expected, nor would it really be desirable, that the Bank should suddenly commence operations on a very large scale, by at once opening a great number of branches. It must feel its way: security is the paramount consideration, and every thing should be, at all times, made subservient to it. The sphere of the Bank's operations will be extended gradually and cautiously, as circumstances may require; and it will be the business, as well as the duty, of the directors and managers to take care that her outlying branches and operations shall never be extended so as to reduce her available assets and securities below the proper proportion they ought always to bear to her obligations. Should it be found, as it is not unlikely may be the case, that a still

larger amount of capital than the 5,000,000*l.*, now proposed to be subscribed, may be profitably and safely employed in extending the business of the Bank, there will be no difficulty in finding it in England : and it is, besides, pretty certain, that should the success of the projected Bank correspond with what seems to be the reasonable and well-founded expectations of its projectors, it will bring other institutions into the field ; and that it will thus insure for India every advantage that can be derived from the greatest extension of a safe banking system.

But, notwithstanding all that has now been stated, the establishment of the proposed Bank of India has been strenuously objected to by several parties. It is difficult, however, to discover any grounds in the statements they have put forth for their opposition ; and we are disposed to think that there is a very material discrepancy indeed between their ostensible and their real motives for opposing the establishment of the Bank. It is said that it will be a monopoly. But there is not, really, so much as the shadow of a foundation for any such statement. It asks no peculiar favour or privilege of any sort or kind whatever ; no one, in fact, that the Government, if it see cause, may not confer on any ten, fifty, or five hundred other establishments.

All that it asks for is a charter *on its fulfilling the conditions, or complying with the regulations, according to which the Treasury has already granted charters to other banking companies established in the colonies.* It does not ask the Treasury to relax any regulation in its favour. The Directors are ready to comply with any regulations their Lordships may, on consideration, think fairly necessary for the security of the public. They abjure all pretensions to monopoly and favouritism. They are anxious, only, to be allowed to bring their capital, and such talent as they may be able to command, fairly into the field; being well aware that, if these do not enable them to carry on the business of the Bank advantageously for themselves, and consequently for India and England, the time is gone by when any association can hope to be bolstered up by preferences.

It was stated in one of the prospectuses of the Bank of India that its notes would probably be received at the Government treasuries in payment of taxes, and that such receipt would be for the mutual advantage of Government and the Bank. This, strange to say, has been objected to, as savouring of monopoly, as being extremely dangerous, and so forth. One hardly knows how to deal with such ridiculous misapprehensions or mis-statements. The Government of India will not deal with the Bank

unless they are satisfied that such dealing will be for their interest; and to imagine that the circumstance of the notes of the Bank being received in payment of taxes, supposing such to be the case, should give the Bank any monopoly, is too ludicrously absurd to deserve notice. Bring another Bank equally entitled to the public confidence into the field, and Government will, no doubt, also take its notes.

The same answer may be made to what has been said about the Bank's seeking to act as Treasurer for the Government of India. It seeks to do nothing except upon the *quid pro quo* principle. The Directors may say to Government, "We are willing to transact such and such business for you, upon such and such terms." If Government can itself transact the business in question, or get it transacted by others, on more favourable terms than those offered by the Bank of India, their offer will be at once rejected; but if it should turn out otherwise, it may be as confidently inferred that it will be accepted. To suppose that a proposal of this sort should be disadvantageous to the public, is an obvious absurdity.

It is further objected that the Bank is to be in India and the Directors in England; and that the latter being at so great a distance from the thing they are appointed to manage, all sorts of mischievous consequences will ensue! But, in

point of fact, the Bank will be managed by the Directors resident on the spot or in Calcutta; the proceedings of the Indian Board being, however, liable to be controlled and directed by the London Board. And does any one suppose that this control will not be of the greatest service? The Indian Directors, exposed to local influences, personal solicitation &c., might, even with the best intentions, be betrayed into a line of conduct prejudicial to the real and lasting interests of the Bank; but reports of their proceedings being regularly transmitted to England, and examined by the Board resident here, upon which no such local influences can operate, all proceedings that might endanger, or that might impede the legitimate action of the Bank, will be checked, and the proprietors and the public will have the best attainable security for its proper management. Instead, therefore, of the double direction being a disadvantage, it is plainly an important circumstance in recommendation of the Bank, and gives it an additional claim to the public confidence.

But it is chiefly, we apprehend, because of its anticipated interference with the remittance of funds from and to India that so much opposition is made to the Bank. The negotiation of the remittances in question forms, at present, a considerable and a lucrative branch of the business

carried on by the individuals engaged in the trade with India, and it is not to be supposed that the majority should be favourably inclined towards an establishment that will certainly come into competition with them in this department. But the more the individuals in question might find their interests compromised by the establishment of the Bank of India, the more is it entitled to a charter, because the more advantageous must it be to the public. If the Government of India, or individuals, should employ the Bank of India in making remittances from India to England, or conversely, in preference to mercantile houses, it can only be because, all things considered, they find that it affords the best and most advantageous channel. A new stimulus will, in consequence, be given to competition in a department the proper management of which is of the utmost consequence to many persons. If the facilities afforded by private channels of remittance exceed those afforded by the Bank of India, it, of course, will have no business of this sort to transact. Every thing will depend on which performs a necessary operation best and cheapest; and those who affirm that the proposed Bank will engross all the exchange business between India and England, really affirm, what we have no idea will turn out to be the fact, that it will be able, speaking generally, to transact such business on better terms than

individuals ! This may sometimes be the case ; and should it be always so, the advantage to the public would be proportionally great : but, judging from experience, the private houses will, no doubt, retain a fair proportion of the business ; and if they transact it on better terms than the Bank, they will retain it altogether.

Some persons have, it seems, got it into their heads, or at all events found it convenient to state, that the Bank of India proposes to remit at a “fixed” rate of exchange ! But the projectors of the Bank know something of business ; and consequently know that the idea of establishing a fixed rate of exchange between any two countries is absurd. The rate of exchange depends on the state of trade, on the payments that have reciprocally to be made by different countries, and on a variety of inappreciable circumstances, all liable to incessant variation. The Bank will do what any other establishment managed on reasonable principles by one individual or a number would do, — it will grant and receive bills on India or England at such a rate as will yield them a fair profit ; and they may, it is probable, declare at short intervals the terms on which they will sell and buy bills. The Directors are determined that their conduct shall in all cases be open and above-board. If private merchants of undoubted responsibility, and there are many such engaged

in the India trade, buy and sell bills on India and England on better terms for the public than the Bank of India, their business will not be in any degree diminished. Nor will the Directors of the Bank of India regret should such be the case. They are anxious for nothing but a fair field and fair play; and they can honestly say, that they will not grudge the success of those by whom they may be distanced in the race of open, unfettered competition.

It is hoped that this short statement, imperfect as it necessarily is, may suffice to make the public aware of the nature and objects of the proposed Bank of India, of the important advantages that it is calculated to confer on India and England, and of the futility of the objections that have been made against it. At all events, if we have not succeeded in this, the blame must be ascribed to our incompetency to the task we have imposed on ourselves, and not to any defect or hollowness in the project we have endeavoured to illustrate and defend.

PROSPECTUS OF A BANK FOR INDIA.

London, May 12th, 1836.

I. THE state of the money market in Great Britain, and the desire so generally evinced of obtaining in other than the ordinary modes of investment safe and profitable employment for the accumulating capital of the country, has led the undersigned to consider the present a very favourable moment for instituting, on a very solid foundation, a great Banking Establishment for British India.

II. It is thought that in British India there is an ample field for the diffusion of British capital; and that with the co-operation of the East India Company and His Majesty's Government, an establishment may be formed alike beneficial to the public in India, and to the members of the proposed Company.

III. The Banks in India are the Bank of Bengal and the Union Bank at Calcutta, a Government Establishment for Banking at Madras, and a Bank at Agra in Bengal. The Union Bank is the only one of which the capital is wholly furnished by individuals, on the principle of a Joint Stock Bank; but it has no charter, and its notes not being received by Government at the treasuries of the collectors in the provinces, its circulation is very limited, and confined to Calcutta and its immediate vicinity.

IV. The Bank of Bengal is supported in a degree by the capital of the East India Company, and managed in part by the official servants of the Bengal Government, the number of its Directors being nine, of which three are appointed by the Government, and six by the proprietors; the Financial Secretary, the Accountant-general, and the Sub-treasurer, are the ex-officio Directors. It has a charter from the East India Company, terminable upon a year's notice. Its capital,

which was 50 lacs of rupees, divided into 500 shares of 10,000 rupees each, of which the Government held 100 shares or 10 lacs (one fifth), has recently been increased to 75 lacs; and the regulations for the discount of bills and the amount of deposit in specie in proportion to its issue of notes have lately been altered and improved. Its circulation in 1895 was 1 crore 16 lacs.

V. But the constitution of the Bank of Bengal prevents its becoming as efficient an instrument for the public service, and for the public interests of British India, as a Bank ought to be, and might be made. The defect in its constitution is its immediate connection with the Government. A Bank in India, to be really useful, should rely upon its own resources; and its connection with the Government should not be one of partnership, but of superintendence on the part of the latter. Government should share neither responsibility nor profit, but keep the action of the Bank steady within its prescribed limits.

That the Government at times requires, for financial and revenue operations in peace, and for its expenditure in war, the aid of a wealthy Bank, is undeniable; but the primary object of its establishment should not be to afford assistance to the Government. This, it is to be feared, will, however, always be the case when the Government are at once partners and managers of a Bank.

VI. But notwithstanding its identity with the Government, the Bank of Bengal is not what a wealthy independent Bank might be; viz. the Government Bank transacting the Government business.

The Bengal Government keep their treasury quite distinct from the Bank of Bengal; but a Bank properly constituted might supersede the necessity of the treasury, the financial agency at Canton and Madras, and thereby occasion a considerable saving to the East India Company. A Bank relying upon its own resources, and those resources known to be large and adequate to its operations, might, adhering strictly to banking principles, not only transact at a mode-

rate charge the public business, manage the payment of interest of the public debt, facilitate the receipt of the revenue, and its subsequent diffusion through the various channels of the public expenditure; but it might provide the remittance to Great Britain of the sums required there for the home charges of the East India Company, and enable the East India Company to act up to the intention of the legislature, by keeping their government entirely aloof from that interference with the commerce of India which the present system of remittance involves.

VII. At present the basis of the Bank of Bengal is too narrow for such a customer as the Government; and the Bank and the Government being one, the period of exigency of the Government is the time of the distress of the Bank also. But establish a Bank of adequate dimensions, and its solid capital and extensive credit would enable it to render important pecuniary assistance to the Government in times of political difficulty.

VIII. The state of society, however, in India is such, that it is most desirable to maintain a close connection between the Public Bank and the Government; and to insure the proper administration of its affairs at such a distance from its proprietary, the Government in India should possess a power of superintendence over the operations of the Bank.

IX. If the Bank of Bengal be not adequate to fulfil the functions required of a Public Bank, much less so is the Union Bank, with a limited capital and without a charter; and since the failures which commenced in 1830, and when all the Private Banks were swept away, none have been established; nor is it to be desired that commercial agency and banking should ever again be united. It is clearly for the true interests of both that the separation should be strongly drawn.

X. This state of things, it is thought, offers a very favourable opportunity for the introduction into India of a large Banking Company, which would keep steadily in view the legitimate objects of such an establishment, and adopt throughout the acknowledged principles upon which a sound

system of banking should be founded, modified only by the peculiar situation of India and of the East India Company.

(Signed)

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THE END.

